FINANCIAL TIMES
PUBLISHED IN LONDON AND FRANKFURT
No. 28,148 Monday April 21 1980 *** 20p

CONTINENTAL SELLING PRICES: AUSTRIA Sch 15; BELGIUM Fr 25; DENMARK Kr 5.00; FRANCE Fr 4; GERMANY DM 2.0; ITALY L 700; NETHERLANDS Fl 2.0; NORWAY Kr 5.00; PORTUGAL Esc 35; SPAIN Pts 70; SWEDEN Kr 5.00; SWITZERLAND Fr 2.0; EIRE 20p; MALTA 20c

NEWS SUMMARY

GENERAL

Lebanon blood feud warning

South Lebanese villagers who claimed responsibility for murdering two Irish soldiers serving with the UN yesterday declared a blood feud and vowed to kill any more Irish troops they might capture.

The killing of the soldiers in an ambush on Friday stirred widespread international protest and brought demands for Israel to exert tighter control over the Christian militias they support.

In Dublin, the Irish *Government reaffirmed its* commitment to the UN force, and instructed its Ambassador to Israel to convey its deep *concern at the tragedy to* Premier Begin. **Page 2**

Front march peaceful

More than 4,000 police backed by helicopters ensured, in an exercise conducted with military precision, that the march by 600 National Front *supporters and counter demonstration* through Lewisham, London, passed off quietly.

Zimbabwe tax cut

Zimbabwe's new Government cut sales tax on basic foods, *increased duty on certain* luxury items and raised income tax surcharge to help pay for reconstruction of war-damaged rural areas. **Page 2**

Tory revolt threat

Second Tory Party rebellion is threatened on the Employment Bill in the Commons tomorrow by MPs who want to make secret union ballots on strikes compulsory. **Page 6**

Assam arrests

Indian troops seized control of Assam oil installations and arrested 2,500 pickets who had prevented supplies flowing to the rest of the country for four months in a campaign for the deportation of foreigners. **Page 2**

Blaze inquiry

Investigation is to be held into the big blaze in a block of Newcastle council flats which *left 120 people homeless.* The absence of roof partitions has been blamed for the rapid spread of the fire.

Olympic talks

Olympic leaders begin three days of talks in Lausanne, Switzerland, today in an effort to save this summer's Moscow Games in the face of the U.S.-led *boycott.* **Page 2**

Teachers warn

Scottish teachers angered by the failure of the Clegg Commission to make detailed pay recommendations for Scotland *threatened strike action if* today's talks do not resolve the problem.

Phone increase

Phone users are likely to be faced with increased charges again *next year* because of the Government's refusal to extend Post Office cash limits. **Back page; News analysis. Page 7**

Briefly . . .

North Wales fire which has destroyed *more* than 5,000 acres of mountain forestry land was brought under control.

Meat traders urged the Govern*ment to clamp down on growing* illicit meat sales because they *pose a threat to health.*

PUBLISHER'S NOTICE

The Financial Times apologises for errors con*tained in this issue* which are due to difficulties in the reading department.

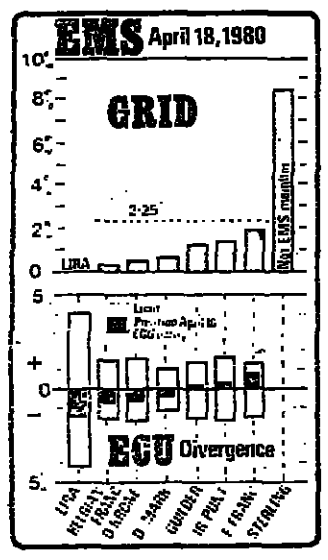
BUSINESS

Auditing standards code unveiled

● **ACCOUNTANCY** bodies announced new auditing standards partly inspired by accounting scandals. The standards could make it easier for shareholders, investors and creditors to take legal action against auditors. **Back Page**

THE ITALIAN LIRA was the weakest member of the European Monetary System by the end of last week, well below the Belgian franc, although both currencies remained within the system's "alarm bell" limit where central banks are expected to take corrective action.

The French franc was again the strongest EMS currency, followed by the Irish punt and the Dutch guilder. The Danish krone was the third weakest member of the system ahead of the lira and Belgian franc, while *the D-Mark settled around the* middle of the EMS, helped by the decline of the dollar following the reduction in U.S. bank prime lending rates started by Chase Manhattan Bank on Wednesday.



The charts show the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

● **LORD GRADE**'s Associated Communications Corporation is negotiating to buy a majority interest in Jetsave, the second largest privately run UK charter operation. **Back Page**

● **GRAND METROPOLITAN**'s tender offer for Liggett, the U.S. tobacco and spirits company, is going ahead, following a court ruling that federal law has precedence over a state law requiring a delay. **Page 18**

● **BP CHEMICALS** may scrap plans for a £57m synthetic alcohol plant because of EEC proposals which the group says could wreck its synthetic alcohol business. **Page 6**

● **GOVERNOR** of the Bank of England, Gordon Richardson, is to appear before a Commons *committee to be questioned* for the first time on economic policy. **Back Page; and Lombard, Page 14**

● **BANK JULIUS BAER**, one of the largest private Swiss banks, today launches an inter*national portfolio management* service in the UK—the first such venture since the end of exchange controls in October *last year.* **Back Page**

● **BANK** messengers' pay dispute, which disrupted clearing *banks last week,* may be called off if National Westminster management accepts a settlement formula, union leaders *said.* **Page 10**

● **SERCK** Heat Exchange, the Birmingham based maker of *engine cooling equipment* has won orders valued at £8m. **Page 7**

CONTENTS

Iran turns to East Europe as oil sales to West hit trouble

BY SIMON HENDERSON IN TEHRAN

Iran is making arrangements *to sell oil to Eastern Europe following difficulties* in talks with its main customers — BP, Royal Dutch Shell and 12 Japanese companies — over its latest price increase.

Mr. Ali Akhbar Moinfar, the Oil Minister, confirmed in Tehran yesterday that deals are being arranged in Eastern Europe and elsewhere. Bulgaria was one country involved in negotiations, he said, blaming *difficulties on U.S. political* pressure.

Japan, which has ben taking 520,000 barrels a day and is Iran's *largest oil customer*, has refused, through its trading companies, to renew letters of credit at the latest price of effectively $35 per barrel. A deadline given by Iran ran out yesterday.

Reports from Tokyo said Japan hoped negotiations would continue with the arival in Tehran of representatives of *several companies including* Mitsui, but Mr. Moinfar made it clear that until the letters of credit were exchanged no *further exports to Japan would* be made.

BP, which takes 125,000 b/d, and Shell, with 100,000 b/d, are reported not to have taken any Iranian oil since April 1. Both companies have been having, apparently fruitles talks with the National Iranian Oil Company.

Mr. Moinfar was reluctant to speak on talks with the Soviet Union and Eastern Europe *about oil supplies and the pur*chase of spare parts. He said, however, that he might be able to say more in a week.

Moscow has been trying for several weeks to sell spare parts for oil and gas production equipment in return for resumed supplies of Iranian gas used in the southern Soviet republics.

Oil officials say the offer was repeated again last week by two diplomats from the Soviet Embassy at a meeting with Mr. Moinfar. *Since the start of the* U.S. crisis, American supplies of spares have been cut and now other Western sources are threatened.

The Oil Minister said Iran would only resume gas exports if Moscow accepted the five-fold price increase that Iran has been demanding. Oil contracts are being negotiated with the Eastern European countries at the prices which Iran is charging other customers. In answer to a question about barter agreements he said most of the deals would be on a cash basis but Iran *did not necessarily* require that they should all be so.

The EEC countries and Japan together take about 40 per cent of Iran's exports, according to Mr. Moinfar. They are believed t obe running at 1.7m b/d.

He confidently expected that if sanctions were imposed Iran could easily place about half *this volume on new contracts* within two or three weeks. He added that it was a good time to conserve oil.

He dismissed the danger of Iranian ports being mined. If such a polic ywas pursued by the U.S. it would bring war to the region and possibly trigger off a global conflict.

The Carter deadline, Page 16
Challenges for Iran rulers. Page 2

Schmidt backs U.S. over hostages

By Roger Boyes in Bonn

CHANCELLOR Helmut Schmidt of West Germany yesterday gave his full backing to the U.S. in its attempts to secure the release of the American hostages held in Tehran.

However, he also indicated that *military action by Washington* could prove too dangerous an option.

The Chancellor, who delivered his speech at a *Social Demo*cratic Party conference on international security, was clearly aware that the U.S. has high expectations of the Luxembourg Foreign Ministers' meeting. Americans were disappointed by the relatively muted measures adopted by the Lisbon talks of EEC Foreign Ministers.

Herr Schmidt appeared to be speaking to several audiences. While reassuring the U.S. that Bonn was not neglecting alliance solidarity in favour of continued links with the East, he was also addressing the Soviet Union.

He called again on the Rus*sians to leave Afghanistan and* urged them to give a sign that they were willing to open talks on limiting medium-range nuclear weapons in Europe. Herr Schmidt recently called on Moscow to freeze the deployment of its SS-20s in Europe and thus improve the chances of arms control negotiations.

Some SPD delegates had *expressed concern to the party* leadership, during the two-day meeting, that arms control talks were being neglected because of the Iran and Afghanistan crises and that Bonn was leaning too far towards the U.S.

Herr Schmidt, who has been under fire from the Christian Democrat opposition for allegedly doing exactly the opposite, stressed that whatever happened the dialogue with the East would continue. The U.S., he said, fully understood that detente in Europe would continue in parallel with the Western allies' solidarity with *Washington. The two elements* were not mutually exclusive, rather they were complementary.

Herr Schmidt said there was no international mechanism for "conflict resolution," thus he fel here was a danger that international tension would heighten and that ill-considered or irrational measures could lead to war.

Referring to Bonn's experience in opposing terrorism, Herr Schmidt suggested that while military action might seem to be an attractive option, it carried unacceptable risks.

Chrysler plans $2bn cut from budget

BY IAN HARGREAVES IN WASHINGTON

CHRYSLER, in a last-ditch attempt to avoid bankruptcy by securing financial support from the U.S. Government has proposed a further round of cuts in its already heavily-trimmed operating plans.

In a meeting with the Government's Chrysler Loan Guarantees Board on Friday night, the company presented a plan involving production of only two families of cars and light commercial vehicles rather than the three assumed in its previous plan and the five planned for at the beginning of the year.

The Board, which consists of Mr. William Miller, Treasury Secretary, Mr. Elmer Staats, Comptroller-General, and Mr. Paul Volcker, chairman of the Federal Reserve, made no comment after the meeting but is expected to issue a verdict this week.

The company has warned that it will run into a cash crisis within the next fortnight without government help.

The revised operating plan cuts a further $2bn from Chrysler's $13.6bn budget up to 1985, and means that *the company* will produce only smaller front-wheel drive vehicles. Mr. Lee Iacocca, the company's chairman, told Congress last year that making only small cars *would never be viable* for Chrysler.

Mr. Iacocca said after the meeting on Friday that the new *plan "meets the requirementof* of the law"—that the company must raise $2bn itself in order to qualify for $1.5bn in Government loan guarantees.

The Loan Guarantees Board has to decide whether these commitments are adequate and whether they mean that Chrysler will be able to repay its guaranteed loans.

Meanwhile, the company's banks are resisting Government attempts to get them ot increase the $650m in interest rate concessions offered on Chrysler debts. The company has also failed to find a buyer for its financial subsidiary, Chrysler Financial.

Even if the new plan is approved—and there are still several question marks including the position of the banks—it is now clear that thousands more Chrysler *workers will lose their jobs* this year.

THE QUEEN'S AWARDS

Only 87 export winners

ONLY 87 companies have won the Queen's Award for Export Achievement this year, the lowest number since 1975.

Applications for the Award, introduced in 1966, were [illegible] to 941, compared with a peak of [illegible]

Winners of the 1980 award announced this morning and of [illegible] representing [illegible] industrial and commercial activity and size of company.

Major export award winners include British Nuclear Fuels, Dowty Mining Equipment, Lansing Bagnall, GEC Turbine Generators, Marconi Radar, Ryvita, and Sony (UK).

Lansing Bagnall, the largest producer of electric fork lift trucks in Western Europe, has already won five awards from *1969 to 1972*.

Rank Xerox, a market leader in reprocopiers, has won four previous awards, most recently in 1975.

The Financial Times receives its third Export award, following those gained in 1971 and 1975. The 1980 award recognises export earnings in the three years to December 1978, generated by circulation sales of the FT, its associated newsletters and other publications, by *advertising sales to overseas com*panies and by the sale of information services. No other newspaper has yet won the award.

Smaller winners include Stewart Ross and Co. of St. Albans, Herts., which makes water well drilling equipment, Wearwell, a London fashionwear manufacturer, and Whatman Biochemicals of Maidstone, Kent, which produces and markets enzymes mainly to the U.S. and Western Europe.

Lion Laboratories, a very small Cardiff company, takes *a technology award for deve*loping an instrument, based on a fuel cell sensor, which can be used by the police for screening suspected drunken drivers.

Details, Pages 12 and 13

UK offshore exploration area to be increased

BY RAY DAFTER, ENERGY EDITOR

THE UK offshore industry is to be given a greater opportunity to explore for oil and gas, following a change of heart by *the Government.*

Mr. David Howell, Energy Secretary, is expected to offer about 100 new exploration blocks within the next few weeks, about 30 more than he had intended to include in the next round of licences.

The move will be welcomed by oil companies which, in recent months, have warned the *Government that its licensing* programme was moving too slowly.

The UK Offshore Operators *Association said there should* be sufficient licences to support between 60 and 95 exploration wells a year—the rate needed if the UK was to have a chance of remaining *self-sufficient* in oil for more than a few years. This rate could not have been achieved with a round of only 70 blocks.

*The new blocks, to be form*ally offered under the seventh round of licences, will cover most of the oil-prospecting areas of the UK continental shelf including the North Sea, English Channel, South-Western Approaches and West of Shetland.

It is expected that Mr. Howell will stick by his idea of asking *companies to nominate a sub*stantial proportion of the blocks, probably those in the established oil-producing sectors of the North Sea, where licensees will carry more onerous licence conditions, such as having to sink more obligatory wells than usual, or paying a premium.

But it is understood that Mr. Howell has ruled out the possibility of auctioning these special licences. Within the Energy *Department it is felt that an* auction system would favour the cash-rich multinational oil corporations.

One of Mr. Howell's stated objectives is to encourage more UK independent oil companies to take a stake in the offshore industry. As a result of this policy a large number of drilling consortia have been formed *for the seventh-round bidding,* many of them containing a high proportion of U.K. equity interest.

The decision to enlarge the seventh round follows a new appraisal within the Energy Department of the possible North Sea oil production profile.

Continued on Back Page

Evans' pledge to BL strikers

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

A PLEDGE that the Transport and General Workers Union would continue to give official support to any of the 18,000 BL Cars' workers who voted to reject a proposed peace formula, *came last night from Mr. Moss* Evans, the union's general secretary.

His comments, in Perth, on the eve of the Scottish TUC, will cause further confusion over the protest at the company's 5 per cent pay offer linked to fundamental changes in working practice.

The strikes, which threatened *to bring BL Cars production* to a standstill, had seemed about to collapse following the Transport Union decision to recommend a return to work.

Mr. Evans last week signed a "statement of understanding" with the company.

The deal provoked an outcry from many shop stewards who maintained they had been "sold out" by the leadership. They maintained that Mr. Evans had collapsed under the BL threat that any strikers who did not return by next Wednesday, *would be dismissed.*

Indeed, BL was quick to point out that its original 5 to 10 per cent pay offer coupled with demands for fundamental changes in working practices, remains intact. Employees who do not return by Wednesday are still deemed to have terminated their employment.

Shop stewards at Rover, Soli*hull,* had already decided to ignore the union leadership and urge more than 6,000 members continue the strike.

It was against this background that Mr. Evans spoke last night. He complained about "malicious and irresponsible" Press reports of the agreement, indicating that the Transport Union had "capitulated."

These reports has caused considerable confusion and disillusionment among union members and there was a possibility they might reject the agree*ment.*

Mr. Evans said that those who did vote to remain on strike would be given the full support of his union.

Mr. Evans' intervention could swing opinion at Solihull where even some of the *militant* stewards had expected their recommendation for continued action to be defeated.

It will also influence shop stewards from all Midlands plants who have been called to a meeting at union headquarters in West Bromwich today.

An immediate test of opinion could come at the Castle Bromwich body plant, Birmingham, where about one thousand transport workers meet today.

Davy group may win £1bn order

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

A CONSORTIUM led by Davy Corporation is favoured to win a contract to build a coastal *steel plant in India costing* about £1bn.

The project has been discussed for a long time, but there are indications Mrs. Gandhi's Government could take a decision in two to three months.

Mr. Pranab Mukherjee, Steel Minister, confirmed this week*end he is having talks* with Davy and the West German Demag Group.

This follows last week's agreement in Paris with the French company Alumina-Pechiney for construction of an aluminium plant.

The steel works is most likely to be in Paradip in the state of Orissa on India's east coast. *Preliminary studies have been* done by Davy, with the British Steel Corporation. Planned capacity is 4m tonnes.

In discussions with contractors, the Indian Government has been keen to pursue the idea of payment by selling Britain and France surplus steel, which could be up to half planned capacity. Some French *companies are part of the Davy* consortium.

This type of buy-back agreement is relatively new to India. But it is the basis of a recent agreement with the Soviet Union for a coastal steel works. It is an arrangement favoured by the Chinese for paying for huge capital projects, and it is significant *that the Aluminium agreement* with France is on this basis.

The proposal that Britain takes some steel has created *problems* for the British Government, which is backing British Steel's plan to substantially cut back UK steel capacity.

Sir Peter Carey, Permanent Secretary at the Industry *Department*, saw Indian Ministers and officials recently on his way back from China and the Far East. It is believed some progress was made. It is possible Britain will help India sell surplus steel to third countries.

OVERSEAS NEWS

Italy sees good chance of accord at EEC summit

BY PAUL BETTS IN TAORMINA

ITALY'S Treasury Minister, Sig. Filippo Maria Pandolfi, said yesterday there was a growing chance that agreement on Britain's contributions to the European Community budget could be reached at the European summit in Luxembourg next weekend.

"The European Council should be in a position to make a decision, although I do not want to sound over-optimistic at this stage," h esaid after an informal meeting of EEC Finance Ministers in the mina.

Unless corrective measures are taken, Britain's net contributions to this year's EEC budget could amountt o more than £1bn. Britain has been seeking a sharp cut in its contributions.

Sig. Pandolfi, who presided at the Finance Ministers talks, said this figure was still under review by the Commission. He indicated that the issue would be discussed further by Finance Ministers in Luxembourg today and by other EEC Ministers during the week before the summit.

The Italian Treasury Minister claimed that a package of measures which would allow a compromise over the British budget dispute was under discussion. These broadly included a more rigorous reassessment of EEC budget figures, corrective measures on the basis of those agreed at last year's Dublin summit and other additional supplementary measures.

The other main topic discussed by the Finance Ministers was a proposal for a common European policy on the recycling of the growing cash surpluses of oil-producing countries. Sig. Pandolfi suggested that the European unit of account could represent the basis of one possible device to guarantee greater financial stability for the cash reserves of oil-producing countries.

But the Minister, who is also chairman of the International Monetary Fund's interim committe which is due to meet in Hamburg this week, gave the impression that little progress was being made on proposals to create an IMF substitution account to stabilise international monetary markets.

● A new Italian Government headed by Sig. Francesco Cossiga was approved by the Italian Parliament last night. It is the country's 39th since the Second World War.

Farm price talks may be crucial

BY MARGARET VAN HATTEM IN BRUSSELS

A MEETING of EEC Farm Ministers which starts in Brussels today could turn into an important tactical battle between Britain and France, instead of the routine affair expected.

For the French Government announced last week that it wanted Farm Ministers to agree in general terms, on farm price rises for this year, and on a solution to the lamb war, before it would relax its opposition to Britain's demands for a cut in its payments to the EEC budget.

The British Government may have decided to make concessions to the French on lamb and farm prices, but is unlikely to wish to play these cards in advance of the summit.

The difficulties do not concern prices so much as the related proposals to crub surplus production in the dairy sector and to reduce the currency subsidies paid to German and Benelux farmers.

Most member states appear to agree that the 2-4 per cent average price rise proposed by the Commission is too low, and that something between 4 and 5 per cent would be more appropriate. Even Mr. Peter Walker, the British Minister, who started out by saying that 2.4 per cent was too high and insisted that prices on all surplus products (such as milk, sugar, wine, cereals and beef) should be frozen, appears to have given up hope of a freeze on more than the first three

But it would be difficult for Ministers to agree on an average price rise before settling the details and the Commission insists that prices should not be increased unless the related reform proposals are accepted.

Any concessions made by Mr. Walker on farm prices would erode the value of any budgetary settlement that Mrs. Thatcher, Britain's Prime Minister, might achieve. Even if all farm prices were frozen, the budgetary cost of the Common Agricultural Policy would rise. Each percentage point added to common prices costs Britain more, on balance, than it costs any other member country.

Observers believe that Mrs. Thatcher may be prepared to concede small farm price rises in exchange for a good budget settlement.

IOC bid to save the games

By Roger Boyes in Bonn

SENIOR OLYMPIC officials have launched a series of last-ditch talks aimed at saving the Moscow games. They appear to be convinced that West European states are now prepared for a concerted boycott.

Lord Killanin, president of the International Olympic Committee, held talks at the weekend with Herr Berthold Beitz, a German member of the IOC. Meanwhile Mr. Ignaty Novikov, head of the Soviet Olympic organising committee, is to see Herr Willi Daume, president of the West German national Olympic committee in Lausanne over the next three days.

This flurry of consultations has been prompted by the belief that the European Community—either at the Foreign Ministers' meeting in Luxembourg this week or at its later summit—is likely to recommend of boycott of the Games. West German Ministers have already strongly indicated that the Bonn Cabinet will decide on Wednesday against participation.

Once such a decision is taken, the national Olympic committee will, according to Herr Willy Weyer, head of the German sports federation, almost certainly fall into line before May 15, the official decision day. The West German line is expected to weigh heavily with other West European countries.

Olympic officials are still hoping, however, that some form of Western participation will be possible. The IOC executive begins a meeting at Lausaane today and will discuss ways that sportsmen could attend as individuals, even after their Governments have ruled against participation.

Iran's rulers face new challenges

BY SIMON HENDERSON IN TEHRAN

FACED with the prospect of concerted sanctions by West European countries and Japan, Iran's ruling Revolutionary Council and President Abol Hassan Bani-Sadr are now having to contend with violence on university campuses and renewed clashes with the Kurdish minority in the west of the country.

According to the official Iranian news agency Pars, 356 students were treated for knife, club and stone injuries following fighting on Saturday at Mashad in the north-east of the country. Another 300 were hurt at Shiraz.

The conflict was apparently between militant Moslem extremists and left-wing students, and the Revolutionary Council ordered the closure of all universities and colleges in a bid to enforce a decree, banning student political agitation. Some 300 left-wing students at Tehran University defied the order and staged a sit-in.

On Friday the authorities had been taken by surprise when groups claiming links with the extremists holding the 50 American diplomats hostage in Tehran occupied several campuses. The violence was apparently caused by deliberate incitement directed at the Fedayeen guerrilla group, the Islamic-Marxist Mujahedeen guerrilla group, and the (Communist) Tudeh Party.

The trouble in Kurdistan follows movements by the army, which had earlier claimed it was goni gto reinforce units along the Iraqi border, where there have recently been several minor skirmishes. An army column has been held up by townspeople at Sanandaj, and yesterday, when it tried to move on to the road leading to Saqqez where fighting is reported, clashes broke out.

So far reports of casualties give widely varying estimates. The Kurds, who always give higher figures than the army, say 40 soldiers have been killed in Saqqez, three helicopters have been shot down and four tanks knocked out. Civilian casualties were said to range from 14 to 50, with two Kurdish guerrillas dead and 20 injured.

Until yesterday the confrontation in Sanandaj had been on the level of civil disobedience, with barricades set up and crowds of people blocking the streets. The fighting is said to be going on outside the town with Kurdish guerrillas in action.

David Buchan reports from Washington: Most Americans now support military action against Iran if the U.S. hostages are not freed by some future set deadline, according to a national survey commissioned and published yesterday by the Washington Post.

This apparently swelling tide of frustration has also been charted by other opinion polls in the past week. The Post's poll, taken just after President Carter broke diplomatic relations with Tehran on April 7, was released one day after Mr. Carter warned that the Revolutionary Council might hold on to the captive diplomats until after the U.S. election in November.

The parents of one hostage, who have flouted the Administration's wishes and travelled to Tehran, were denied access to their son over the weekend. Four hostage wives are to visit Europe this week to lobby Governments there to follow the U.S. lead in imposing economic and diplomatic sanctions.

Irish face Lebanon blood feud

BEINT JEBAIL — South Lebanese villagers who claimed responsibility for the murder on Friday at two Irish soldiers serving with the United Nations yesterday vowed to kill any more Irish troops they might capture.

"We killed the Irish in revenge for the death of our brother whom they shot down in cold blood last week," one villager told a party of Israeli-based correspondents. "We had to kill them because his blood was revenged."

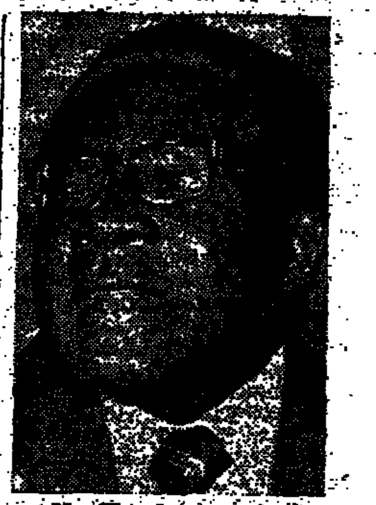
The villager, a Shia Moslem, and other members of his family talked to reporters in the square of this southern village. They were watched by Major Saad Haddad, commander of the Israeli-backed Christian militias which co-operate with many Shia Moslems in opposition to the Palestiinian guerrillas.

Major Haddad has denied that his men were responsible for the killings. He and the Moslems say the Irish died to avenge the deaths of four Lebanese, including a 16-year-old, who the Lebanese say, were taking part in a peaceful demonstration when the Irish opened fire.

Major Haddad said he could not punish the killers of the Irish without stirring up a revolt.

Stewart Dalby reports from Dublin: The Irish Cabinet yesterday reaffirmed its commitment to the peacekeeping force.

Mr. Brian Leniham, the Foreign Minister, has been instructed to contact all the countries which contribute to the UN force so that an evaluation of its role can be made.



Mr. Mugabe: promises during election.

Assam students arrested as army is ordered in

BY K. K. SHARMA IN NEW DELHI

TENSION in India's strategic north-eastern state of Assam mounted over the weekend as the authorities decided to take a tough line against students who for the past seven months have been pressing their demand for the deportation of "foreigners" (mainly Bangladeshis) from the state.

Student leaders were arrested in a dramatic swoop, and the army swung into action to protect oil installations in the state, which produces one-third of India's crude supplies and petroleum products.

By yesterday, however, it seemed that the authorities may have misjudged the mood of the people. Reports from Gauhati, the capital of Assam, indicated that people were supporting the student agitators and that a state-wide civil disobedience movement had been launched which effectively paralysed life there.

Thousands of people were said to have ignored the curfew imposed by the Assam Government when it began its crackdown on the students. They marched towards the oil installations in order to continue the "oil blocked" which has disrupted oil supplies to the rest of the country for many months.

Defiance of the curfew was so widespread that it was lifted within hours. Another attempt to impose the curfew was made yesterday, but reports from the region again indicated that it was being widely defied.

The authorities adopted their tough line following a decision by the student leaders to intensify their agitation from Tuesday. Troops which had been standing by for some days were ordered to move to patrol oil installations and pipelines and a show of force was made in Gauhati on Saturday when the army made a flag march through the streets.

Tax changes shift burden in Zimbabwe

By Michael Holman in Salisbury

IN ITS first major political move since assuming independence three days ago, the new Zimbabwe Government has announced a number of measures which shift the burden of taxation away from poorer, mainly black people towards the higher-income, mainly white minority.

In a mini-budget unveiled over the weekend, Mr. Enos Nkala, the Minister of Finance, cut sales tax from 15 per cent to 10 per cent, increased duty on certain luxury items and raised the income tax surcharge.

Particularly welcome to blacks, who have long resented sales tax, is the abolition of the tax altogether on margarine, cooking oil, sugar and tea.

To make up for the loss of revenue, higher excise duties have been imposed on alcohol and tobacco. This has led to an immediate 10 per cent rise in the price of beer and cigarettes. The price of spirits has gone up 35 per cent.

In addition a 5 per cent surcharge on income tax, which in the past helped meet defence costs and was due to be adolished, has been increased to 10 per cent.

Much of the proceeds are expected to go to the rural areas, which bore the brunt of the seven-year war.

Direct and indirect taxes make up 85 per cent of Government revenue, and sales tax provides 25 per cent of the total.

During the election campaign, the Zanu-PF party led by Mr. Robert Mugabe, the Prime Minister, pledged a cut in sales tax.

FINANCIAL TIMES, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second Class postage paid at New York, N.Y., and at additional mailing centres.

S. Africa acts to spur overseas trade financing

BY QUENTIN PEEL IN JOHANNESBURG

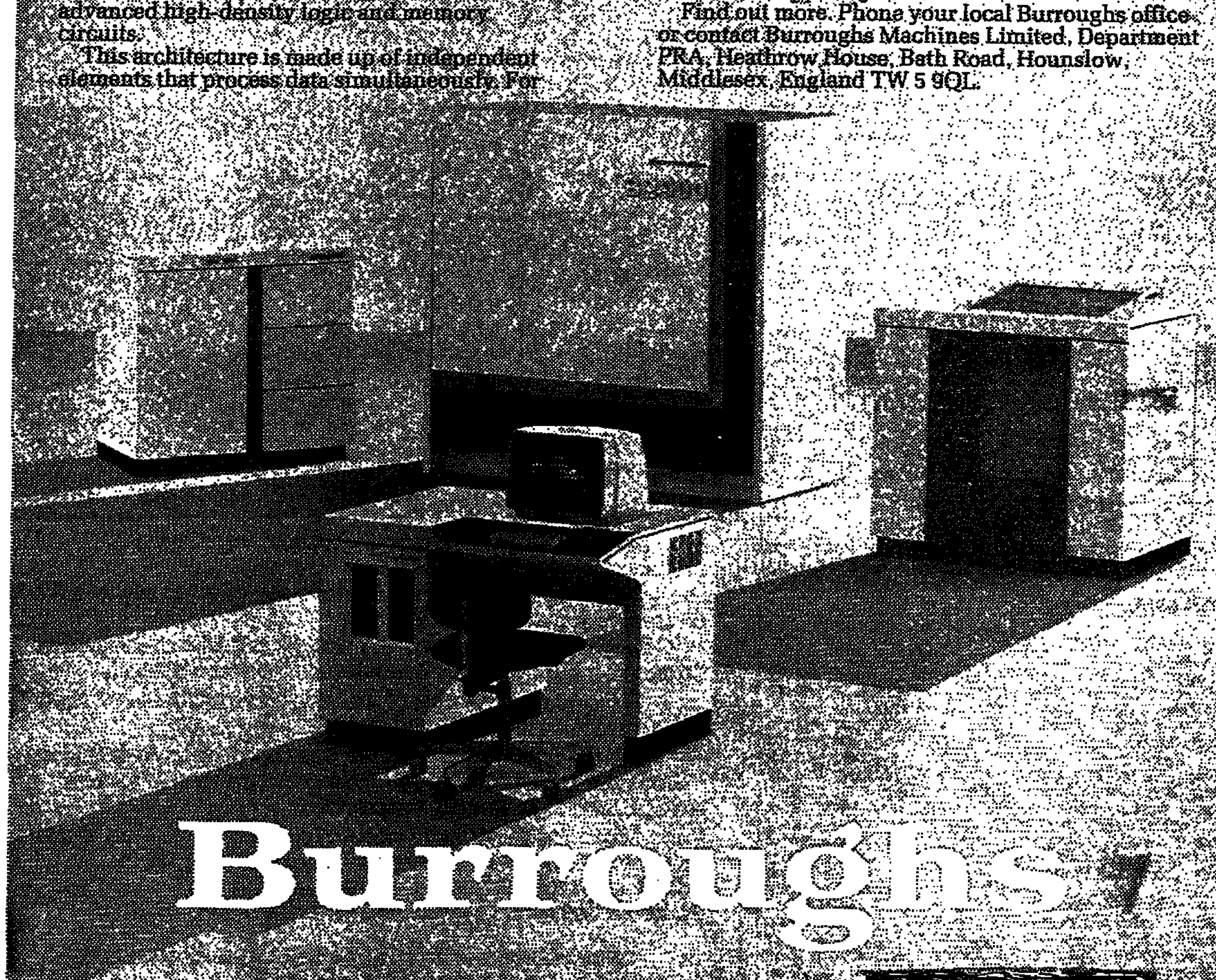
SOUTH AFRICA'S reserve bank has announced a big increase in the discount it offers on forward dollar transactions, from2.5 to 12 per cent. The aim is to encourage renewed overseas financing of South Africa's trade and to stem a heavy outflow of short-term capital.

Because of massive switching of trade finance from offshore to domestic sources, caused by the large discrepancy between South African interest rates and those overseas, the country's foreign exchange reserves have been declining despite an unprecedented visible trade surplus. The foreign currency component of the reserves fell by more than R250m (£147m) in March.

The big increase in the forward dollar discount is intended to discourage South African importers from switching from offshore to domestic sources of credit and exporters from granting their buyers extended rand-denominated credit.

Both practices have been extensive because short-term credit costs in South Africa have been between 6.5 and 7.5 per cent, compared with overseas costs of more than 18 per cent.

The decision marks a sudden change in reserve bank policy from its former concern at the high level of liquidity in the country, caused by the huge current account surplus, currently running at an annual rate of more than R48bn. However, in its announcement, the bank said the discrepancy between short-term interest rates in South Africa and abroad had become so great that switching to domestic finance had caused a considerable tightening of the domestic money market.



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World 'beats a path to Peking'

By Our Foreign Staff

"TECHNICAL discussions technical discussions and more technical discussions," was how Mr. Lance Brown of Davy McKee reacted when asked about doing business in China.

The German and British divisions of Davy McKee concluded agreements in 1978 worth about £150m to construct oxo-olcohol and polyestor and polymerisation plants.

Davy McKee's contracts took more than a year to negotiate. The first approach was from the Chinese, who had seen an advertisement in a trade magazine. Then followed technical discussions and commercial negotiations.

Mr. Brown describes Chinese negotiations as "really exhaustive." "Apart from being conducted in a very alien environment for most Western businessmen, negotiations tend to be intense," he said. "You are really playing away when you are in Peking."

Mr. Brown says the Chinese have a wide choice of companies who are prepared to deal with them. This makes business very competitive.

"Let us face it, they have had the advantage of speaking to whatever expert they want to see. I mean the world beats a path to their door," he said.

Mr. Brown complains of bottlenecks caused by the requirement (recently eased) that all negotiations had to go through the China National Technical Import Corporation.

Mr. Brown, who speaks fluent Mandarin, says it is an advantage if "you can speak to them direct; it can certainly help things move much more quickly."

Motel project tied up in months

By Our Peking Correspondent

At the other end of the scale of companies doing business with China, but representative of the growing success of overseas Chinese is Great Sincere, an Australian-based company which recently completed a £20.6m motel project in central South China.

Great Sincere's principal, Mr. S. I. Kho, concluded the deal with the China International Travel Service in the space of a few months, with backing from the Australian Government's Export Finance Insurance Corporation, which extended a line of credit for the project at preferential interest rates (7.25 per cent) and made the necessary arrangements with the Bank of China.

Mr. Kho first approached the Chinese in November 1978, after he read of China's hotel shortage and intercontinental's negotiations.

After discussions with China International Travel in November, Mr. Kho was asked to submit an offer "based on the idea of simple accommodation which would be built at low cost on easy financial terms."

The offer was made on December 31, 1978 and after further negotiations an agreement was signed on January 22, 1979.

Final agreement between the Bank of China and the Australian Export Finance Insurance Corporation was reached in April, for eight pre-fabricated motels.

Mr. Kho, who started business exporting rubber from Indonesia to China in 1952, is confident he will get more contracts and claims.

From Peking, **Tony Walker** reports on the slowdown which has hit the hopes of contractors

Trying times overtake the China traders

IN THE heady days of 1978, after Chairman Hua Guofeng announced China's wildly ambitious modernisation programme, Japanese and West German companies—the high fliers—promptly signed contracts with the Chinese for 30 to 40 medium to large-scale projects.

These ranged from the £1bn agreement by Nippon Steel to develop the giant Baoshan steel complex near Shanghai, to a host of smaller contracts for upgrading outdated plant and equipment.

Last year Japanese companies signed only 10 contracts, down from 29. The Germans signed two.

These are trying times in the China trade. As a British trade official remarked gloomily last month: "It appears we're back to square one."

Most China traders expect progress to be slow for the next two years at least. They say there are no signs of the Chinese departing from their rigorous policy of "economic readjustment" (for that, read "temporary freeze"), announced at the beginning of last year.

But this is not to say business has stopped altogether. Last year, two British companies won small contracts, worth about £5m each. Babcock Products Engineering was awarded a contract for a coal pulverising plant, while Smiths Industries contracted to build a sparking plug factory.

China's Chairman Hua. The legacy of Chairman Mao is steadily being replaced by a policy of pragmatism. But how long will it last?

lion agreement signed with U.S. hydropower authorities is the most recent example. It is reasonable to assume that once trading conditions improve, American companies will take a bigger share of business in China.

One area which appears to be quite vigorouds is in cooperation production agreements entered into by foreign business with local enterprises for processing goods on contract.

The New China News Agency reported earlier this year that more than 2,000 such agreements were entered into in 1979. Of these, 140 were for what is termed "compensation trade." This is where foreign business supplies plant and raw materials to local enterprise in return for finished products.

The Chinese are pushing compensation deals and appear to be having some success with textiles

However, there is some scepticism among Peking trade officials abou tChina's claim that it has concluded 140 such agreements

Dsepite the slowdown, hundreds of projects are still being negotiated, and some discussions are well advanced. The Germans, for example, are reasonably confident they will secure agreement this year to supply equipment for an opencast coal mine in Jilin province. Two companies, Krupp and Örenstein and Koppel are bidding for this contract. Another prospective deal could see Volkswagen helping to modernise China's antiquated automotive industry. In the meantime, most interest is focusing on joint ventures, but on these the Chinese are taking what seems an inordinate amount of time to give approval.

The main problem appears to be the rate at which profits are to be taxed. While the authorities last July promulgated broad regulations governing such ventures, tax and wage rates were not decided on, although since late last year there have been persistent reports that an announcement of a bsic corporate tax rate was imminent. In January this year, Mr. Rong Yiren, head of the China International Trust and Investment Corporation (Citic), said he expected the first joint ventures to be announced by March, hinting that they would be in light industry and transport and would include an American partner.

However, there has been no sign of an announcement, either of regulations governing tax and wage rates or of the new ventures mentioned by Mr. Rong as having been given preliminary approval by the Foreign Investment Commission.

The Chinese are assumed to be having difficulty d eciding these qfestions, and no announcement may be made for several months.

Mr. Rong is reported to be talking about a June announcement for the first joint ventures.

According to most predictions, the tax rate will be around 30-35 per cent. Wage rates will almost certainly be competitive with Hong Kong, probably 25 per cenr lower. These rates will apply to companies operating outside special economic zones which are being set up to act as "islands" for foreign investment within China.

In these zones, three of which have been designated, the tax rate is expected to be much more favourable, perhaps in the order of 10-12 per cent. The Chinese clearly like if possible, to contain foreign investment in set locations, at least in the experiment's early stages.

It is difficult to assess the level of enthusiasm for such ventures among foreign companies but, according to Mr. Rong, Citic has had more than 90 inquiries from U.S. companies alone.

There seems no doubt, despite the hiatus, that joint ventures will go forward.

Prof. Jerome Cohen, Harvard law professor and consultant to Coudert Brothers, the only Western law firm with an office in Peking, is optimistic about joint ventures.

"If China fixes a reasonable tax and wage rate, there will be encouraging progress," he says. "If they are too tough, particularly on wages, then firms will bet deprived of the principal reason for coming to China, which is cheap wages."

According to most estimates, China has negotiated overseas loans or around $26bn, but is making only limited use of them. There is no reliable record of how much China has borrowed, but it is thought to have taken up less than 20 per cent of the loans negotiated since 1978.

In a recent interview, Mr. Cui Yanxu, vice-chairman of the Bank of C hina, grumbled about existing commitments, which he described as a "heavy burden." Mr. Cui was also unhappy about the commercial interest rates attached to most loans. This suggests China will be looking more towards government-backed finance, at preferential interest rates, to implement its modernisation.

The Americans, for example, have offered China the equivalent of up to £1bn through their Export - Import Bank for approved projects. The Japanese are providing the equivalent of £750m in soft loans for six approved transport and power projects.

The Chinese have a reputation for being "good payers," even during the chaotic times of the Cultural Revolution and its aftermath. T hey are certainly extremely prudent when it comes to running up foreign debts. Some observers assess that the Chinese have almost a "psychological aversion" to going into debt.

China clearly intends to take advantage of its developing nation status, wherever possible, to secure development assistance.

While companies are finding doing business with the Chinese during their re-adjustment phase both difficult and frustrating, there is still plenty of activity. British Aerospace, for example, recently opened offices for representatives of its aircraft and dynamics groups.

There appears to be general agreement among China traders that it is "absolutely critical," as one British trader said this week, to have an office in Peking. This is largely because of the time and difficulty involved in negotiating an agreement.

Mr. Stephen Orlins, reprentative of Coudert Brothers, estimates that it takes "a good four to six times longer to do business in China."

"Every negotiation is like an education process as you go through the contract word by word, line by line," he says. "Never understimate the small problems," Mr. Orlins adds.

The Chinese have made it clear that their ability to enter into new agreements will be tied to their export performance.

"The major and most reliable approach to raise China's ability to pay for advanced technology and other imports is to increase exports," Mr. Li Qiang, the Foreign Trade Minister, said earlier this year.

In this, the Chinese are facing difficulties, largely because of a slower increase in oil production—the main foreign exchange earner. Output increased by only 1.9 per cent last year, compared with 13 per cent the year before and an average yearly increase of about 10 per cent for preceding years.

The slowdown, which is causing the Chinese problems in realising their commitment to supply Japan with 8m tons of oil this year, rising to 15m by 1982, is thought to be the result of faltering production at the Daqing oil field, which accounts fo rabout 40 per cent of China's output.

If oil production has peaked, then unless there are more big oil price rises this year, or China engages in massive borrowing, which seems unlikely, funds for imported technology will be squeezed for some time, remembering, of course, that China's offshore wells are expected to be brought on stream in the mid-1980s.

Underlying all the doubts about China as an investment centre is the key question: how stable is it? The legacy of Mao Tse-tung is steadily being replaced by pragmatism. But will this last?

Moves to revive Cyprus talks

BY DAVID TONGE

THE FIRST visit to Cyprus by a Minister of the present British Government coincides with renewed attempts to revive the long - stalled intercommunal talks.

Sir Ian Gilmour, Lord Privy Seal, started a four-day trip to the island on Saturday, but the Foreign Office said it was mainly to familiarise him with the dispute plaguing NATO's south-east flank.

The main efforts to resume the negotiations are being made by the United Nations Secretariat. On April 3, Dr. Kurt Waldheim, UN Secretary-General, reported to the General Assembly that his efforts had not, so far, borne fruit.

But he also wrote: "I, however, continue to hold to the opinion that the intercommunal talks, if properly used, represent the best available method for negotiating a just and lasting political settlement of the Cyprus problem, based on the legitimate rights of the two communities."

This point was important, in that last November the UN General Assembly voted that if Dr. Waldheim was unable to report progress by the end of March, the Assembly would set up a special committee to recommend steps on Cyprus.

The Turkish side always objected strongly to this and even the Greek Cypriots, who had supported the idea of the committee, are not pressing for its creation. They, too, appear to fear that its formation could be counter-productive.

Bordeaux group in California wine venture

BY DAVID WHITE IN PARIS

ONE OF the most renowned names in Bordeaux wine has reached initial agreement on a joint venture in California with a U.S. vineyard. *Although* on a relatively small scale — a plot of les than 40 acres — it is one of the first ventures of its kind, coming at a *time when* France's share of wine sales in the U.S. and other major markets is tending to fall.

The agreement involves La Bergerie — Baron Phillipe, one of the interests of Baron Philipe de Rothschild, the proprietor of Chateau Mouton Rothschild, at Pauillac in Medoc.

The U.S. partner is Robert Mondavi, which produces red wine from Bordeaux-type grapes in Napa Valley, California. The produce from their joint "winery" is not expected to be launched before 1984-85 and a wider-ranging agreement will depend on its success. The Bordeaux business, which already has a reputation for wine-making techniques.

innovation, is to assist with

France's overall exports of wines and spirits rose 16 per cent in value last year to FFr 11.2bn ($2.6bn), making up 3 per cent of the country's export total and producing a net surplus of FFr 9bn. This was enough to wipe out a trade deficit in the rest of the farm and food sector and to pay for *one-eighth of* French crude oil purchases.

But declining market shares were evident among the chief traditional clients, notably in the U.S., where France was supplanted by Italy for No. 1 position as wine supplier.

With more than three-quarters of the wine consumed in the U.S. coming from Californian vineyards, France's share of the imported remainder dropped from 18 to 17 per cent of still wines. Its share of sparkling wines recovered a little to 39 per cent from 37 per cent, but was well below the 54 per cent level of ten years ago.

Market shares for brandy and other alcoholic drinks have also dropped. This was despite a rise in the total value of France's U.S. exports in the sector to FFr 1.50bn from *FFr 1.37bn.*

Britain was the biggest single export market showing a sharp rise in value to FFr 1.76bn from FFr 1.37bn, almost 16 per cent of the total. The French kept their lead in the wine market, but their share dropped from 38 to 37 per cent in still wines and from 61 to 60 per cent in sparkling wines. In other categories, the share stayed level or—in the case of liqueurs—dropped.

But the French Wine and *Spirits Export Trade Federa*iton said the British market was expected to continue expanding, despite the tax increases contained in the recent budget.

West Germany, the third largest customer, showed a mixed trend, with France well outpaced by Italy except in the spirits sector.

● Societe Francaise d'Etudes et de Realizations Ferroviaries (SOFRERAIL) has been awarded a contract by the Iraqi Government to oversee the con*struction of a rail link between* Baghdad and Mossoul, with a spur line going towards the Iranian border. The project will involve the construction of 560 km of line, AP-DJ reports.

SOFRERAIL will be associated with two other companies in the Iraqi venture — BCEOM and SCET-International, which will carry out geological, hydrographic and hydrological studies and design tunnels and bridges.

SOFRERAIL, in which SNCF, the French national rail company has a one-third stake, said it has also won another contract from the Mexican Government to study tenders for the electrification of a railroad running between Mexico City and Irapuato.

Simons in negotiations for Peru copper mine

By Doreen Gillespie

SIMONS OVERSEAS of Vancouver is negotiating with a newly-formed Peruvian State company for a $250m turn-key contract for the development of the Tintaya copper mines in Peru's southern Andes.

The company — Empresa Estatal Minera Asociada Tintaya (Ematinsa)—expects the mine to start producing 60,000 metric tons of fine copper a year in 1983. A sister company, H. A. Simons International, last year completed the basic engineering studies following feasibility studies completed in early 1977.

Simons' offer includes $140m financing from Canada's Export Development Corporation, plus $110m which will be provided by a consortium of banks led by the Bank of Nova Scotia.

EMATINSA was set up in mid-March to develop and *operate* the Tintaya Mines. The company is 45 per cent owned by Mineroperu, the state mining company, with *Centromin, another state min*ing company, holding another 45 per cent and Cofide, the state financing development company, the *remaing 10* per cent. Oringally, Tintaya was to have been developed by a private group, Promotora Tintya, which was set up *by* a group of prominetu local miners in November 1978 and in which Mineroperu was to have a 25 per cent stake.

The cost of developing the mines is estimated at $250m *at-current prices although the* final cost is expected to *be* $300m. Proven reserves are put at 30m tons of 2.3 per cent copper with additional probable reserves of 70m tons.

Meanwhile the deadline by which Mineroperu should have reached an agreement with Impresit/Fiat Engineering of Italy on the $385m second stage of the Copper Verde copper project, for which Klockner of West Germany has also been bidding, has been postponed once again to April 30.

Askew calls for better deal for U.S. exporters

BY DAVID BUCHAN IN WASHINGTON

PRESIDENT CARTER'S top trade official has called for a wide review of Government-imposed restraints and disincentives *on American exporters* to boost the country's trading performance.

Mr. Robin Askew, the White House Special Trade Representative, told a Chicago audience last week that the U.S. tax *system should* be modified to less penalise Americans living and working abroad. The U.S. is virtually the only country which taxes its citizens worldwide.

Ambiguities in the 1977 U.S. Anti-bribery Law, which Mr. Askew said had inhibited many Americans from engaging in foreign trade, should be clarified. He also gave a public push to legislation proposed by Senator Adlai Stevenson to allow the creation of trading companies as they exist in Europe and Japan.

Mr. Askew estimated there were perhaps 20,000 U.S. companies which were potential exporters and which could use panies *such as* financing, transport, warehousing, marketing and so on. "We must isolate the essential characteristics of successful trading companies and make them compatible with our own conception of sound banking practices and our own principles of competition," he said.

At present, only around 8 per cent of U.S. *manufacturing* companies sell any of their wares abroad, Mr. Askew said. This proportion could be doubled, he estimated, given the current competitiveness of U.S. goods internationally.

As long ago as 1970, he said, West Germany replaced the U.S. as the world's leading exporter of manufactured goods. "Today," he added, "Japan threatens to drop the U.S. into third place. At the same time, newly-*industrialising* countries have presented U.S. with increasing competition from a new quarter, for these countries are becoming exporters *of manufactured* goods."

Industry backing for steel suit

BY OUR WASHINGTON CORRESPONDENT

U.S. STEEL met with wide support from other domestic steel makers and the steelworkers' union last week in its sweeping anti-dumping suit brought against European steel producers.

The International Trade Commission, a semi-autonomous panel that rules on trade disputes, opened its hearing last week into the U.S. steel case. The ITC has until May 5 to *find whether there is* any "reansonable indication" that the domestic industry has been injured by allegedly dumped European imports.

U.S. Steel is the only domestic manufacturer so far to take its complaints about foreign steel to court. But last week's hearing showed a degree of industry backing for the suit, which when it was filed last month, caused the Carter Administration to scrap an alternative method of protection, the trigger price system.

Republic Steel, for instance, argued in support of U.S. Steel before the ITC panel that the alleged dumping in foreign markets was a natural consequence of the D'Avignon plan for steel run by the Brussels Commission. That plan was aimed at curbing sales inside the European Community to raise prices, but it did *nothing to curtail steel pro*duction, they claimed, the excess of which had then to be dumped abroad.

The ITC is only being asked to make a *prima facie* ruling, and it is considered highly likely to find in favour of U.S. Steel and against the Europeans in the next couple of weeks.

The issue would then go to the Department of Commerce, which is likely to take four to five months to investigate.

White House trade officials *believe the case will in the end be negotiated* by Governments, and not left to the courts to settle, because of the high stakes involved and the danger of precipitating a transatlantic trade war.

Lawyers for the steel companies in the seven European countries, plus those acting for American importing companies, *countered on Friday* before the ITC that EEC producers had sold in the U.S. at or above trigger prices over the last two years.

These trigger prices setting a floor for imported steel, they contended, had been set high enough to allow U.S. companies to compete. It was thus virtually impossible for European steel to have damaged domestic producers.

Sri Lanka in new bid to beat textile threat

BY OUR COLOMBO CORRESPONDENT

PROTECTIONIST pressure from the American textile industry is posing a serious threat to Sri Lanka's two-year-old free trade zone. After the multi-billion dollar Mahaveli River diversion scheme, the *zone* is the Government's key development project.

Last Friday President Jayawardene decided to send a Sri Lankan delegation, led by two Cabinet Ministers, to Washington this week. A Government *official said:* "Our only chance is to settle this matter at a political level."

The U.S., which wants to impose quotas on Sri Lanka's garmment experots; setn a delegation to Colombo last month. The delegation, which consisted of officials from the State and Commerce departments, also included representatives from the American textile *industry* and trade unions. After two weeks of hard bargaining the talks proved inconclusive.

Sri Lanka argued that the U.S., in calling for restricted Sri Lankan exports, had not fulfilled a basic obligation under the Multifibre Arrangement (MFA) whereby it has to offer concrete evidence that Sri Lankan exports are disrupting the U.S. market. The U.S. case seemed to be based more on a general desire to place curbs on unrestricted Asian textile exports than on a specific *grievance* against Sri Lanka.

U.S. curbs on Sri Lankan textile exports would have a *serious impact on both foreign* exchange earnings and employment—one of the country's biggest problems. Last year textile exports earned Sri Lanka Rs 1bn (£25m), half of which was earned in the U.S. Tea, rubber and coconuts, the island's traditional exports, and tourism are the only other sectors which bring Sri Lanka foreign *exchange earnings of more than* Rs 1bn.

Of the 40 or so projects which *have started in the free trade* zone as many as 15 are garment factories (there a re another 12 textile factories outside the zone). Those within the zone are still operating at less than 40 per cent capacity on a single shift. This year the zone authority had hoped to create 30,000 new jobs, 20,000 of them in the textile industry.

Breakthrough for Lucas Aerospace

By Lorne Barling

LUCAS AEROSPACE has made a significant breakthrough in the U.S. helicopter engine market by winning a fuel control system development contract from Avco Lycoming, one of the world's largest producers of small gas turbine engines.

The contract is expected to lead to manufacturing orders worth at least $40m (£18m) and perhaps double that figure in the next 10 years, depending on the level of orders for Avco Lycoming's developed LT-101 family of engines.

Lucas has won the contract to develop the digital fuel control system for the engine, against competition from Bendix of the U.S., which supplies the system for present versions which are fitted to helicopters manufactured by Aerospatiale of France, Augusta of Italy and Bell of the U.S. The agreement calls for the delivery of prototype *fuel control by the end of* the year.

Preference for the Lucas system clearly owes much to a similar U.S. military contract won by the company, and to the advanced technology involved.

NOTICE OF REDEMPTION

Monsanto International N.V.

8¾% Guaranteed Sinking Fund Debentures Due May 15, 1985

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of *May 1, 1970 under which the above described Debentures were issued*, Citibank, N.A. (*formerly* First National City Bank), as Trustee, has drawn for redemption on May 15, 1980 through the operation of the Sinking Fund provided for in the said Indenture, $801,000 principal amount of Debentures of the said issue.

The Debentures drawn for redemption, each in bearer form with coupons attached, and each of $1,000 principal amount and bearing the prefix letter M, are:

All Debentures bearing numbers ending in the digit 6, which lie in the range 00016 through 19976, inclusive.

All Debentures bearing numbers ending in the digit 4, which lie in the range 08904 through 11434, inclusive.

The Debentures specified above are to be redeemed for the said Sinking Fund at the Capital Markets Division—Multinational Securities Department of the Trustee, 111 Wall Street—5th Floor, New York, New York 10043, and the main offices of Citibank, N.A. in Amsterdam, Frankfurt/Main, London, Milan, Paris, Rome, or Citibank (Belgium) S.A., Brussels, or Citibank (Luxembourg) S.A., Luxembourg, as the Company's paying agents, and will become due and payable *on May 15, 1980 at the* redemption price of 100 percent of the principal amount thereof plus accrued interest on said principal amount to such date. On and after such date, interest on the said Debentures will cease to accrue.

The said Debentures should be presented and surrendered at the offices set forth in the preceding paragraph on the said date with all interest coupons maturing subsequent to the redemption date.

Coupons due May 15, 1980 should be detached and presented for payment in the usual manner.

For MONSANTO INTERNATIONAL N.V.
By CITIBANK, N.A.
Trustee.

April 14, 1980

NOTICE

The following Debentures previously called for redemption through the operation of the Sinking Fund have not as yet been presented for payment.

DEBENTURES CALLED MAY 15, [illegible]

7 7849 11997 [illegible]
4992 11980 12208 [illegible]

DEBENTURES CALLED MAY 15, [illegible]

402 1452 6544 6551 7017 7133 8887 8947 12271 15093 17065
1449 1508 6550 6554 7019 8875 8945 12027 14439 18097

DEBENTURES CALLED MAY 15, 1975

382 1856 1860 2091 3394 [illegible]

DEBENTURES CALLED MAY 15, 1976

1341 2186 3229 3487 6006 10034 [illegible]
1348 3187 3230 4541 7390 10356 11968 12715 [illegible] 19779
1759 3150 3338 4543 7696 10500 12080 12717 [illegible]

DEBENTURES CALLED MAY 15, 1977

785 2651 2688 2734 3882 4125 4415 7324 10296 11981 12071 12583 13077 14742 17770 19314 19808
1416 2678 2713 3029 3906 4128 4588 8463 10323 11983 12076 13072 13080 14749 17952 19595 19857
2255 2680 2715 3144 4120 4146 7519 10292 10338 12053 12078 13075 13092 14916 17958 19708

DEBENTURES CALLED MAY 16, 1978

526 548 1753 1857 3491 6740 6965 9153 11731 11986 12050 13962 14758 16594 16627 16846 17936
527 554 1844 2094 4410 6742 8262 10696 11963 12023 12061 14038 14759 16500 16629 16954 17934
537 786 1846 2736 4709 6861 8848 10471 11982 12030 12070 14750 16158 16611 16633 17925 17937
538 1679 1847 2739 6730 6982 8861 11726 11985 12056 13989 14781 16209 16631 16803 17930 17961

DEBENTURES CALLED MAY 15, 1979

195 406 1203 4936 8728 11936 12346 12975 14702 16068 16092 17955 18175 19748 19786
385 695 3215 6686 8738 12048 12355 12978 15598 16072 16946 17962 19315 19758 19782
388 778 3225 7715 9225 12066 12378 14745 16945 16808 17605 18965 19745 19772

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Quentin Peel in Johannesburg examines S. Africa's plans to expand power generation which gave GEC its biggest ever export order.

International contractors chase a lucrative market

ESCOM, THE South African Electricity Supply Commission, which last week awarded Britain's GEC its largest-ever export order for six turbine generators for a new power station, is likely to be one of the most lucrative sources of business for the world's highly specialised power plant manufacturers in the coming decade.

The state-owned power generation concern is already one of the world's major electricity producers, with installed capacity of nearly 16,000MW, and it has plans for further expansion of 20,000MW by 1991. Its current growth rate averages around nine per cent per year, exceeded only by Taiwan, which is growing from a much smaller base.

The expansion means that ESCOM intends to order four major coal-fired power stations in the next two years, each with a capacity of 3,600MW, as well as a hydro-electric pumped storage scheme. Further plant, including a second nuclear power station, may be ordered in the latter part of the decade.

The rapid rate of growth reflects South Africa's commitment to building up its self-sufficiency in non-oil energy sources, increasing confidence in a steady rate of economic growth in the coming decade—especially among heavy electricy users such as the mines—and the gradual phasing out of small-scale municipal power generation in favour of the national grid. The Government's economic development plan to 1987 forecasts a national growth rate of between 4.5 and 5 per cent, and in recent years, demand for electricity has grown at a consistently faster rate than the economy.

The contracts let last week, for Tutuka, the first of the four power stations on the drawing board, were actually pushed through an accelerated tender procedure after ESCOM suddenly upgraded its load forecast for the next 10 years.

"The forecast in 1977 reflected the pessimism which was current at the time, in the aftermath of Soweto," Mr. Dave van Der Walt, ESCOM's senior general manager, said: "At the end of 1977, growth in consumption was down to 6 per cent for the first time in 20 years. But by last year growth was back to the former position. With the tendency to convert from other forms of energy, it suddenly put a big bump in our programme. We found we would be short of generating capacity in the years immediately following 1984."

ESCOM insists that the procedure for Tutuka was "most unusual" and is very unlikely to be repeated for future contracts. In order to save both time and money, the contractors currently working on the two similar power stations already under construction—Matla and Duvha—were invited to submit tenders for producing identical equipment: Britain's GEC and MAN of West Germany for the turbines, and Britian's Babcock and Wilcox, and West Germany's Steinmuller, for the boilers.

Although ESCOM treated the four tenders individually, there were obvious advantages to staying with the existing pairing, and in the event, GEC and Steinmuller, both contractors for the Duvha plant, won the R760m (£435m) orders. The first 600MW set will now be commissioned by 1985, instead of late 1966, at the earliest, if the contract had been put out to open tender.

However, ESCOM is now set to call for international tenders for its next big station, Ilanga. This will also consist of six 600MW turbines, but will be dry-cooled, not water-cooled, and be the largest of its kind in the world. Tenders for the boilers are expected to be called this month, and for the turbines in June. Thereafter, a third station, Lethabo, is planned for the Cornelia coalfield south of Vereeniging, initially for 1,800MW, to be eventually expanded to another huge 3,600MW plant. The fourth station is still only known as Station C, and no site has been decided for it, but it is likely to be ordered next year.

A second pumped storage scheme—one with a capacity of 1,000Mw is currently being built by Toshiba of Japan in the Drakensberg—is planned for the western Cape, at Elandsberg. Mr. Van der Walt said it was unlikely to be needed until 1988—there is a limit to the system's capacity for pumped storage, because it has a high load factor of some 75 per cent anyway—and with a six year lead time, would have to be ordered in 1982.

Commissioning of further nuclear generating capacity is unlikely until some time after the first nuclear reactors, twin 1,000MW pressurised reactors at Koeberg, outside Cape Town, supplied by Framatome of France, have been commissioned in 1982 and 1983. ESCOM has said a second nuclear site might be in the eastern Cape, similarly far from coal reserves, but no decision is likely before the mid-1980s.

In spite of its restricted tender procedure adopted for Tutuka, ESCOM has traditionally been catholic in ordering equipment, with previous orders going to France, Japan, the U.S. and Switzerland, as well as Britain and West Germany. Apart from design considerations, both finance, and local manufacture are obviously prime considerations.

A preference for local manufacture is written into ESCOM's tender adjudication. In the case of boilers, a high proportion can be locally produced—in the case of Steinmuller's Tutuka contract, between 70 and 80 per cent. Although some 70 per cent of the value of GEC's turbines will be added in Britain, the fact that the company is well established in South Africa, and indeed has now a 50 per cent South African stake (owned by Barlow Rand), may have been a "subjective factor" in its favour, GEC executives in South Africa admit.

However, the aim for maximum local manufacture clashes with another ESCOM priority—for as large a proportion as possible of foreign credit facilities to be applicable to the locally-manufactured proportion of the contract. The final decision involves a trade-off between the two. "We look at it as an overall financial package, but we aim to get as much of the overseas portion as possible financed by credit, and a part of the local portion," Mr. Len te Groen, the general manager responsible for finance, said.

Another important factor is the foreign currency denomination of the contract. Because the South African Reserve Bank will give ESCOM forward cover only against U.S. dollar-denominated contracts, that currency is obviously preferable. The fact that GEC tendered in dollars, whereas MAN's contract required the first two years' payments in D-Marks, may have influenced the final decision.

Electricity industry sources expect wide competition for the forthcoming ESCOM contracts, with most of the world's major power plant manufacturers bidding. One reason is that ESCOM is prepared to accept the manufacturers designs,fi and does not indulge in large-scale alterations. "We haxe redesigned plant before, but generally the plant lay-out is done by us, plant design by the contractor," Mr. Van der Walt said.

The only manufacturers who could be at a disadvantage are the U.S. producers, who are unlikely to qualify for Eximbank credit guarintees, because of the restrictions imposed on the bank by the U.S. Congress for contracts in South Africa, the Export Credits Guarantee Department's guarantee was an impuortant factor in GEC's success.

"Everybody nn the world tenders in this territory," Mr. Tony Charles, managing director of GEC South Africa, said. "Your money is safe. You get paid. The world wants to do business with ESCOM, and they can pick and choose."

SHIPPING REPORT

Atlantic dry cargo rates show further upturn

BY WILLIAM HALL, SHIPPING CORRESPONDENT

FREIGHT RATES in the U.S. Gulf/Continent grain trades have continued to surge ahead with the going rate for 65,000 tonners rising by around a fifth to $23 per ton.

In the coal trades Galbraith Wrightson reports that berthing delays of up to 3½ weeks at Baltimore/Hampton Roads are restricting the supply of tonnage and pushing up rates.

Representative rates for 40,000 ton cargoes between the U.S. and the Continent are being negotiated at $18 per ton and for larger Panamax types the rates are $15-$16 per ton—an increase of around $2 per ton over the last month.

Denholm Coates reports that the Far Eastern dry cargo markets are looking "distinctly dull," in contrast with the buoyant Atlantic market and rates for large bulk carriers are softening.

The latest figures from the General Council of British Shipping underline the present boom in the tramp shipping market.

The GCBS's monthhly tramp trip charter and quarterly time charter indices have hit new peaks. The time charter index rose by 7 per cent during the first quarter of the year and is 84 per cent up on a year ago.

The GCBS's monthly trip charter index (a good guide to the spot market) rose by 14 per cent in March—its biggest monthly increase since last Autumn. The index (1976=100) has risen by 91 per cent over the past 12 months and now stands at 247.

Over the period, bigger vessels have done much better than smaller ships. According to the GCBS figures, rates for ships in the 12,000 dwt-20,000 dwt range have risen by 48 per cent, while rates for 50,000 dwt-85,000 dwt (the so-called Panamax types) have risen by 123 per cent.

In the tanker markets, there was a slightly firmer tone in rates which probably had a lot to do with the escalation of U.S. sanctions on Iran.

Rates for Very Large Crude Carriers have risen firmly above Worldscale 30 but any satisfaction must be tempered by the latest increases in War risk insurance for vessels loading in the Gulf recently announced by Lloyd's.

In the sale and purchase market, the present high level of interest rates is stifling demand and tending to increase the relative attractiveness of new building financed by shipyard credits which arel ess than half the price of present euro-dollar credit prices. Unfortunately new building prices are also moving up sharply.

World Economic Indicators

RETAIL PRICES

	Mar. '80	Feb. '80	Jan. '80	Mar. '79	% change over previous year	Index base year
U.K.	252.2	248.8	245.3	210.6	+19.8	1974=100
Germany	114.9	114.2	113.4	108.8	+ 5.6	1976=100
	Feb. '80	Jan. '80	Dec. '79	Feb. '79		
Japan	132.8	131.6	130.4	123.0	+ 8.0	1975=100
Holland	130.3	129.0	128.4	123.0	+ 5.9	1975=100
Italy	175.6	172.6	167.1	144.3	+21.7	1976=100
Belgium	139.7	138.7	136.7	131.3	+ 6.4	1976=100
U.S.	236.4	233.2	229.9	207.1	+14.1	1967=100
France	239.3	236.8	232.3	211.1	+13.4	1970=100

UK NEWS

BP Chemicals to rule on future of £57m plant

BY SUE CAMERON, CHEMICALS CORRESPONDENT

BP CHEMICALS will decide this month whether to scrap plans for a £57m synthetic alcoho lplant at Grangemouth in Scotland in the fact of proposed European regulations on alcohol. The group fears the draft regulations could wreck its synthetic alcohol business.

It has already spent £12m designing the new plant and the site has been cleard. The UK-based Davy is the main contractor.

The European Commission's draft regulation on alcohol includes proposals to allow at least 100,000 tonnes a year of agricultural alcohol to besold into the synthetic alcohol market at subsidised prices.

Synthetic alcohol, which is made from ethylene—the building block of the petrochemicals industry — is normally far cheaper than agricultural alcohol which can be made from wine, potatoes, beet, fruit or cereals.

Supply and demand in the European synthetic alcohol market is fairly evenly balanced at around 400,000 tonnes a year. But BP Chemicals, the largest producer of synthetic alcohol in the free world, claims this balance could be destroyed if an extra 100,000 tonnes a year of cut-price product were allowed on to the market.

This is why the group is hesitating over the building of the new plant at Grangemouth. Work on the project has already been halted once because of concern over the European Commission's proposals.

Mr. Len Burchell, managing director of BP Chemicals, said this week that a "go or no-go decision" would have to be made before the end of this month. The contractors had built up a team for the project and it could not be left idle. It either had to be stood down—permanently—or told to start construction work.

The European Council of Ministers was to have taken a decision on the proposed regulation in March but this had now been postponed. Mr. Burchell said, however, that the legal committee of the European Parliament had stated that the proposals on agricultural alcohol would be discriminatory and contrary to the Treaty of Rome. He had been "much heartened" by the committee's report.

Blunders

Mr. Burchell added that if a decision were taken to go ahead with all the proposals in the draft regulation, BP Chemicals would challenge it in the courts. The company hoped this would not prove necessary—particularly as it would probably have to start legal proceedings by suing the British Government.

BP Chemicals' campaign against some of the proposals in the draft regulation—it is not against the introduction of an alcohol regulation as such—has been supported by the UK's Chemical Industries Association. The association is believed to have been involved in a row over the proposals with the Ministry of Agriculture and Fisheries.

Earlier this year, the Ministry sent a briefing note on the draft regulation to all European MPs. However, the note contained a number of factual blunders, including the statement that synthetic alcohol was a by-product from the making of heating oil.

Agricultural and synthetic alcohol are exactly the same chemically. At present there is a reserved sector market in Europe for the alcohol made from agricultural products. This market—about 350,000 tonnes a year in volume terms—covers alcohol used to make drinks, such as gin, pharmaceuticals, vinegar and cosmetics.

Producers of synthetic alcohol are not allowed to sell into the reserved sector. Their alcohol is used for industrial applications—notably the making of solvents.

It is estimated that the cost to the European Community of subsidising agricultural alcohol to make it competitive with the more economical synthetic alcohol would be around £22m.

Oneo f the worries of synthetic alcohol producers is that Europe's wine lakes will be turned into agricultural alcohol. This could mean far more than 100,000 tonnes a year of extra product coming onto the synthetic alcohol market.

Service vans go electric

BY PETER CARTWRIGHT

THE ELECTRIC van moved a stage nearer commercial competitiveness when Midlands Electricity Board took delivery of five of the latest Lucas-Bedford CF Vehicles on Friday.

The ywill join a fleet of suctomer service vans which average 40-50 miles a day. The Board hopes they will be 15 per cent cheaper to run than conventional vehicles.

Lucas is cooperating with Vauxhall in the development. Already 25 one-ton payload CF vans are in service with nine fleet operators in the Industry Department's "London goes electric" programme. Altogether test vehicles have done 250,000 miles in service, and by the end of the year 100 will be on the roads.

The vans are powered by one ton of advanced lead acid batteries, bringing gross vehicle weight to 3½ tons. Whiie fuel cost is only around a penny a mile, battery cost is still considered too high at 7p to 8p a mile. "But assuming overall costs of running a conventional internal combustion van, are 26p a mile we have to achieve 24p in 1982," said Mr. Jim Bradbury, marketing manager of the electrical vehice programme.

Fresh move to tighten curbs on union power

BY PHILIP RAWSTORNE

MR. JAMES PRIOR, Employment Secretary, will face further strong pressures from Conservative backbench MPs this week, to tighten the curbs on trade union powers.

A large-scale Conservative party rebellion is threatened on the Employment Bill in the Commons tomorrow because Mr. Prior refuses to make secret ballots on strikes compulsory.

Conservative MPs plan to press for a new clause to be added to the Bill providing for secret ballots when demanded by 15 per cent of union members.

The clause—tabled by Mr. John Browne, MP for Winchester—attracted the support of 103 Conservative MPs when it appeared in the form of a motion on the Commons order paper recently.

Mr. George Gardiner, Tory MP for Reigate, said at the weekend that backbench MPs were determined to put the clause to a vote.

"This is entirely within the spirit of the Bill and with our manifesto and it is what most trade unionists who voted Tory want.

"Yet it seems that Mr. Prior is resisting it and significantly the Labour Party has promised to back him in voting this reform down."

Mr. Prior has been warned that the backbench rebellion on the issue could spread much wider than the 37 MPs who voted against him last week in a bid to strengthen the restrictions on secondary action.

But he is insisting that no compisory element should be added to the Bill's provisions for State funds to finance voluntary ballots.

Mr. Prior is similarly refusing to accept a further Tory backbench amendment calling for mandatory ballots on closed shops every three years.

This amendment may not be called for debate in the Commons but clearly forms part of a longer-term campaign by some Tory MPs to raise the issue at the party conference in the autumn and attempt to force Mr. Prior into a commitment to new legislation.

Serck wins £8m orders for coolers

BY LORNE BARLING

SERCK Heat Exchange, the Birmingham-based manufacturer of cooling equipment for the automotive, aerospace and diesel engine industries, has won orders valued at £8m in the past few weeks.

The company, part of the Serck group, has spent about £7.5m on modernisation, and has just opened a new £2m administrative headquarters.

The Australian railway industry has recently signed a contract for equipment worth £1.5m. This is regarded as a major breakthrough, since the equipment will be fitted to the first batch of Australian High-Speed trains which will later be manufactured in greater volume. New orders have also been won from British Rail.

The company has also won a £1.3m order from a major European engine manufacturers to supply water-cooled oil coolers for a new truck engine, as yet unannounced.

The German division of the company, based in Hamburg, has recently received £2m worth of orders for heat transfer equipment and fresh water generators for marine and naval applications. UK orders for the marine, naval and diesel markets amount to more than £1m.

Air blast transformer air coolers are to be supplied for the Ceneral Electricity Generating Board's Drax power station at a cost of £500,000.

The company is also optimistic about prospective sales through the aero-engine industry. It has already been contracted to supply coolers for the Rolls-Royce RB-211-535 engine, which will be installed in the new Boeing 757 airliner.

Top-level moves at Treasury

By Peter Riddell, Economics Correspondent

REORGANISATION AT top levels of the Treasury has resulted in the removal of one deputy secretary post and an increase in the responsibilities of oneof the Department's key officials.

Mr. Peter Middleton will take charge of the industrial policy side of the Treasury. He will combine this with his responsibilities for monetary and fiscal policy.

Merging of the two posts will follow retirement of Mr. Fred Jones at the end of this month.

The move reflects the change of emphasis in the Government's economic policies rather than a desire to achieve staff cuts for their own sake.

In particular, the flow of work on industrial policy issues has declined, while in Mr. Middleton's existing area there is no longer the time-consuming work resulting from formal pay, price and dividend controls.

The change marks a further important advance for Mr. Middleton, aged 45. He was promoted a Deputy Secretary last January. His new responsibilities include industrial aid, agriculture, an nationalised industries.

Mr. Middleton was, along with Professor Terry Burns, chief economic adviser, the official most closely involved in design of the Government's new medium-term financial strategy.

In his new post Mr. Middleton will become the sole Deputy Secretary on the domestic economy side below Mr. Bill Ryrie, the Second Permanent Secretary.

New Zealand apple crop due to arrive

Thousands of tonnes of Cox's orange pippins, the traditional British apple, will be in the shops over the next few weeks—thanks to the New Zealanders.

This week the first boatload of apples from the New Zealand harvest arrives in the shops, just as the last of the British crop from the coldstores runs out.

Mr. Neil G uymer, manager of the NZ Apple and Pear Marketing board in London, said yesterday: "New Zealand is the southern hemisphere's largest producer of Cox's apples and Britain is our biggest customer. The rest of the harvest goes to Europe, mostly France and Germany.

British fruit farmers, who complain bitterly about the French dumpin gtheir golden delicious on the home market at heavily subsidised prices, are not in competition with the New Zealand farmers because the two harvests do not clash.

Flexible tubes plant to close

TI FLEXIBLE TUBES is to close its plant at Long Eaton, Derbyshire, on June 27 with the loss of 65 jobs.

Production will continue at Enfield and Delph, near Oldham. The company says that closure is necessary to remain competitive.

Biffen endorses brokers' view of monetarism

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

QUALIFIED optimism about monetary developments was expressed at the weekend by Mr. John Biffen, Chief Secretary to the Treasury. This view has been supported by leading City analysts.

Mr. Biffen said in Edinburgh on Saturday there was "no mechanistic and succinctly demonstrable link between a movement in money supply and a subsequent link between a movement in money supply and a subsequent change in inflation."

He suspected the time-lag varied "on account of the level of international trade, the rate of domestic business activity, *and the many social traditions* that affect individual and corporate economic behaviour."

Mr. Biffen said he detected hopeful signs. In particular there were "tentative and modest signs that the money supply—as measured by sterling M3—is coming under control at last.

"The pattern of recent gilt-edged sales will also serve to reinforce the hope that the Government's immediate monetary targets will be met."

Whether this "fledgling "a golden summer of falling inflation" would depend on the time-lags involved, and especially on the level of pay settlements.

Questioned about this speech on the BBC's World This Weekend programme yesterday, Mr. Biffen expressed "highly qualified optimism."

He said the trend of interest rates would be affected by international factors, the domestic rate of inflation, and the Government's position as a large borrower to finance spending.

He was "reasonably optimistic" that the trend in Minimum Lending Rate would be downwards but he declined to suggest a date when MLR might fall.

The City view, as set out by W. Greenwell, the stockbrokers, is that it is clear that further progress has been made towards a decline in the underlying rate of monetary growth to within the 7-11 per cent target range for steling M3 set last June.

Scrimgeour, Kemp-Gee and Co., brokers, argue that "it is extremely tempting to conclude from the latest figures that bank lending is finally slowing down as the economy slips into recession and industry begings to retrench.

"If this view is supported by next month's figures, then, taken together with the more firmly established slower monetary growth trend, the case for a move towards lower interest rates will begin to look convincing."

Looking at the world scene, Phillips and Drew, brokers, suggest that the growth of total output in the main industrialised countries will slacken from an average rate of 4 per cent a year between 1976 and 1979 to less than 1 per cent this year.

Moreover, a single-figure rate of consumer price inflation for these countries as a whole may not be achieved until the second half of next year.

National Savings rise £834.8m

BY JAMES McDONALD

NATIONAL SAVINGS increased by £834.8m during the financial year to the end of March, according to provisional net results published today. Accrued interest brings the amount to £1.45bn.

With the transfer from the Trustee Savings Banks of about £290m of Government stocks on the National Savings Stock Register, this left the total invested at £13.41bn.

The main contributors to the increase were National Savings Certificates. The Retirement Issue showed a net inflow of £588.7m over the year and there was a *net inchrease of £274.4m* in fixed-interest issues. The Index-linked Third Issue Save As You Earn attracted a net £108.6m and National Savings Bank Investment Account *deposits exceeded withdrawels* by £127.6m.

National Savings receipts for March were estimated at £369.2m and repayments at £233.2m, both including interest.

NEWS ANALYSIS ● THE POST OFFICE'S NEED FOR GROWTH

Bid to shift balance of investment

BY JOHN LLOYD

THE POST OFFICE wants to make a decisive shift in the balance of its investment. It wants at least 20 per cent of its needs met by external borrowing, leaving the remainder to be financed—as all its needs presently are—by self-generated cash.

It may appear surprising that a business in the apparently happy position of meeting investment needs from its own funds over the past few years should agitate for a change. However, the corporation justifies *the move* in two ways.

First, it wants to grow more rapidly than it can presently. Its cabling is ageing in most parts of the country, which is pushing up the call-failure rate and bringing complaints. It has a large programme of replacement under way, but it wants to go faster.

At the same time, it has speeded up the System X electronic exchange programme—the first will be cut into the system this summer—and the telecommunications business wants to keep up the momentum. It also wants to bring Prestel to the masses rapidly, and [illegible] means an expensive computer network showing little return for a year or two. In [illegible] it needs the money.

Second, it argues that financing investment wholly from income—whech means phone tariffs — means that present customers are paying the full cost of future customers' improved services. Loans would spread these to the future customers, and would thus be a fairer mechanism.

As the accompanying table shows, a number of major telecommunications authorities de use a substantial amount of loan capital, especially where, as is most evident in the case of France, they are embarked on large-scale expansion plans.

Capital spending on Telecommunications
(Total percentage from internal finance)

	1974	1975	1976	1977	1978
	bn/%	bn/%	bn/%	bn/%	bn/%
Japan (U.S.$bn)	6.4/30	6.8/26	6.5/49	7.7/82	7.8/87
New York Telephone (U.S.$bn)	0.84/77	0.96/73	0.96/80	1/85	—
Australia (A$bn)	0.56/42	0.74/39	0.87/55	0.92/56	0.83/68
Belgium (BFrbn)	12.5/20	15.8/33	15.5/35	15.8/50	15.5/50
France (FFrbn)	7.1/77	8.8/77	10.7/73	15.5/55	18.3/66

In doing its sums for the present financial year, the corporation concluded that it would need to borrow about £230m to properly finance growth and improvements to the network. However, the borrowing limit was set at £78m, leaving a shortfall of about £150m an amount on which the Government refused to budge.

The telecommunications business will thus have to economise, and will probably choose to do so in cutting back as far as it can on accommodation and administration costs: though it believes it cannot go too far down the road of neglecting to acquire, or renevoate, accommodation for nexchanges without putting future growth in some jeopardy.

SCOTTISH LOCAL ELECTIONS

BY RAY PERMAN

Labour looks set for gains

AFTER THE Labour Party lost control of Glasgow at the last Scottish district council elections three years ago, the ex-Lord Provost declared he would pray to St. Mungo to restore the party's majority.

The patron saint of the city has taken his time. The string of by-elections requested did not materialise, and Glasgow has been ruled by a succession of uneasy coalitions and minority administrations. But all prayer is answered in the end, and the Labour Party confidently expects to see Scotland's largest city among its gains after the voting on May 1.

Mr. Jimmy Allison, Labour's Scottish organiser, a man not given to the usual exaggerated predictions made during election campaigns, says that the party will gain control of 19 district councils to add to the six it already controls. The evidence would suggest that he is not far wrong.

Excluding the Hhighlands and other rural areas where there is a tradition of non-political contests and some councillors will be returned unopposed, about 800 seats will be fought.

Labour aims to win rather more than half that number, mostly in the populous central belt of Scotland and the cities of Dundee and Aberdeen.

This is Socialist heartland—an area which swung against the UK trend at the General Eletion last year, and increased the maorities of Labour MPs at the expense of the Conservatives and Scottish Nationalists.

Since then, Labour has been riding higher and higher in the opinion polls as the Government's unpopular economic measures bite deep into the household budgets of working class Scots and lengthen the unemployment queues.

The Conservatives are resigned to having the backlash against Mrs. Thatcher's administration visited on them at local level, and the Nationalists have failed to lift their support from the slump at the General Election.

The picture is almost the exact reverse of that three years ago when Labour was the unpopular government. Then the party lost 131 seats, and the Tories found themselves in the unfamiliar roles of big city bosses, although without overall majorities, and the SNP made gains in the new towns and some old Labour areas such as Falkirk and Clydebank.

"We returned a record number of Conservative councillors last time, but now is not the happiest time to have to defend the seats," said Mr. Graham MacMillan, director of the Conservative Central Office in Edinburgh. "But we shall be fighting hard."

In spite of the feeling that national considerations will influence voting intentions, the Conservatives are trying to stress local issues, particularly the better record of Tory councils in containing rates rises.

Mr. Macmillan can point to several Tory councils which have made no increases in rates this year, and contrasts the action of the Tory majority group on Ediburgh district council in raising its rate by 18 per cent, with that of the Labour group controlling the top tier regional council for the area, which has put its rate up by 41 per cent.

Edinburgh is a council which the Conservatives hope to hold, although boundary changes since the last election make forecasting difficult.

The Tories will be pushing the sale of council house as an issue, arguing that by voting for Conservative councils tenants who want to buy their own homes can do so in advance of the legislation promised by the Government to coerce Labour authorities.

With 33,000 inquiries received by councils so far, the issue must be a popular one, Mr. Macmillan argues.

The SNP is basing its appeal on the argument that there must be a dissident presence in local politics to make London aware that Scotland cannot be ignored. It is a weak line, and the party knows it. There will be 50 fewer Nationalist candidates this time.

The Nationalists and the other minority parties, the Liberals and Communists, are likely to be squeezed between the two main parties as most of the protest vote reverts to Labour. But the Liberals hope to hold Inverclyde, the district based on the town of Greenock, which they won in 1977.

SUPPORT FOR PARTIES IN SCOTLAND

	Mar. '80	Jan. '80	Nov. '79	General Election May '79
Conservative	27	24	26	31
Labour	49	51	48	42
SNP	14	17	18	17
Liberal	10	8	7	9

Source: System Three for Glasgow Herald.

Mark Todd wins in close finish

Michael Donne reports on the Badminton Trials

MR. MARK TODD, from New Zealand, riding Southern Comfort, won the Badminton Horse Trials in Gloucestershire yesterday. He collected only 64.6 penalty points over the three days of the championships.

Second was Miss Lucinda Prior-Palmer, riding Killaire, trying for her fifth Badminton victory, but pipped at the post with 66.4 penalty points.

Third was Mr. Goran Breisner, from Sweden, riding Ultimus with 74.6 penalty points. Fouth was Mrs. Helen Butler, riding Merganser II, with 77 penalty points.

The result was in doubt virtually until the last moments of the final show-jumping phase. At the beginning, Mrs. Butler was leading with 57 penalty points. With a clear round, she would have won the trophy.

Probabaly because of nervousness which communicated itself to the horse she had, for her, a disastrous round, collecting 20 jumping penalties which put her in fourth place.

Lucinda Prior-Palmer also had some misfortune. In second place, with a clear round, she could have won. Unfortunately, Killaire dipped his foot into the water at the water jump, collecting five penalty points.

The cross-country course on Saturday took a heavier toll of entries than in previous years. The 4½-mile course, with 34 obstacles, was tough but fair. The lack of rain in recent days made the going hard.

This factor, with warm weather in the early afternoon, and perhaps also some horses' lack of fitness and experience, resulted in many colecting substantial penalties for falls and refusals.

Of the 64 horses which started the speed and endurance phase which included the loss cross-country course, 33 finished. The others were retired or eliminated for various reasons. Only three horses completed the phase entirely clear, without either jumping or time penalties. It is significant that all three were in the final four leaping places.

The results once again demonstrated the value of good dressage mark in the early part of the championships. Some of the horses that went well across country with minimum jumping and time penalties, had no real chance of winning the competition because their poor dressage scores had pushed them well down the list.

The ultimate victors, which all went fast and clear across country, had achieved good dressage marks, establishing commanding positions before the most critical part began.

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UK NEWS—LABOUR

New peace formula in bank messengers row

BY PHILIP BASSETT, LABOUR STAFF

UNION LEADERS were hopeful yesterday that the National Westminster Bank will today accept their formula for a settlement of the messengers' pay dispute which last week disrupted operations of the major clearing banks.

The 1,600 messengers' action, suspended for talks on the dispute on Friday, was reimposed when the talks failed to produce a settlement.

The Banking, Insurance and Finance Union said yesterday that some limited action had been taken at the week-end, and that action by NatWest messengers would still be in force during resumed negotiations with the bank today.

Technical and services staff in NatWest and other banks, whose sympathetic action and picketing led quickly last week to delays in clearing cheques and movements of cash, are less likely to take action again today until the talks' outcome is known.

The basis of the union's proposal, which the bank, at the end of nine hours' talks on Friday, promised to consider in time for today's meeting, is that a settlement of the dispute would not be used as a precedent in negotiations with other banks.

Some banks' officials have accused the union of using the NatWest messengers' dispute as a stalking-horse for the main negotiations for the clearing banks' 200,000 clerical staff.

The union has claimed that an offered minimum rate of £3,750 for messengers aged above 30 should be extended to 68 NatWest messengers below that age.

Mr. V. Leif Mills, BIFU general secretary, said both sides were anxious that the dispute was not prolonged. He warned again of the consequences of the disruption which would follow if a settlement was not reached today.

AUEW executive faces call to revive 35-hour week campaign

BY ALAN PIKE, LABOUR CORRESPONDENT

ATTEMPTS to revive a campaign for a 35-hour week in the engineering industry—one of the main issues behind last autumn's national strike—will be made at the Amalgamated Union of Engineering Workers' national committee, opening in Blackpool today.

The strike ended with a four-year agreement giving engineering workers a 39-hour week from November 1981. It should protect employers from further efforts to reduce hours until the end of 1983.

The settlement fell short of the union's original claim for a 35-hour week by 1982, but was hailed as a breakthrough on hours.

The AUEW executive says in its report to the national committee: "We can with some pride claim that we have been the pioneers of the shorter working week for manual workers."

Some divisions take a less favourable view. The agenda for the committee contains resolutions calling for early reintroduction of the claim for a 35-hour week, with some demands that it be achieved by 1982 or 1983.

Rule changes

The executive also faces attack for the way it accepted the settlement and called off the dispute. Some divisions have tabled resolutions which, if adopted, would compel the executive to recall the committee before signing future agreements with the Engineering Employers' Federation.

This year's committee is particularly important for the right-wing executive, as it will consider changes in union rules.

The committee was composed equally of left-wing and right-wing delegates last year and split 26-26 on many major issues. However, advance indications are that the right-wing will have a majority this year.

The committee's political composition will be particularly important when it debates resolutions on Labour Party reforms. Mr. Terry Duffy, president, and Sir John Boyd, general secretary, are dedicated supporters of Mr. James Callaghan and the right-wing on the party's National Executive Committee.

But left-wingers will attempt to commit the union to supporting radical reform in the party. They are demanding that the national committee be recalled as soon as the Labour Party commission of inquiry reports, to determine AUEW policy.

APEX to re-examine union mergers

BY OUR LABOUR STAFF

LEADERS OF the Association of Professional Executive Clerical and Computer Staff were yesterday authorised by the union's annual conference to explore further the possibilities of mergers with other trade unions.

The union has had a series of exploratory talks with six other leading white-collar unions.

Mr. Roy Grantham, APEX general secretary, yesterday advocated a cautious approach in taking decisions on the union's future, but acknowledged there were "undoubtedly" too many trade unions at the moment.

Many problems were caused by unions overlapping in recruitment and negotiations in individual companies and industries.

The union will examine the creation of a staff/management organisation, a large staff union, or a looser confederation in which APEX would be part of a staff/management section.

The 1,100 delegates at the conference in Scarborough unanimously passed a vote of no confidence in the Government's economic and industrial policies. They called instead for economic expansion, increased public spending, and more investment in manufacturing industries.

Union will be urged to reject postal vote

By Philip Bassett

EXECUTIVE GRADE civil servants will be urged at the forthcoming conference of their union, the Society of Civil and Public Servants, to reject the introduction of postal balloting in union elections.

The union's executive council, in a paper to be debated by the conference next month, declares itself to be "firmly opposed" to altering the system of card voting by branches at conference to a postal ballot of individual members.

The paper says that under the terms of the Employment Bill the Government is offering to make money available to unions for more postal ballots.

But the executive says that "outsiders seeking to interfere in trade union affairs should be regarded with, at least, extreme caution, especially when one outsider happens to be the employer of society members."

Some conference resolutions call for the executive's recommendation to be rejected and for a postal ballot for executive elections to be introduced.

Another effectively accepts the Government's offer of funds for ballots and seeks that the union, which in the past few years has been in the forefront of Civil Service industrial action, ballot the entire membership before taking any action in the future.

A further motion censures the executive for its "abandonment of the society's non-party political stance."

The union's financial report shows industrial action over pay last year cost it more than £1m. As a result of this and other increased costs the union is seeking a 30 per cent increase in members' subscriptions.

Pressure will be exerted at next month's conference of the Inland Revenue Staff Federation for the union to withdraw from the Civil Service Pay Research system, which determines increases for the Service by comparing rates with outside pay levels.

Perkins pay deal delayed

By Gareth Griffiths

A PAY settlement at Perkins of Peterborough, the world's biggest diesel engine plant, is unlikely for several weeks.

The Amalgamated Union of Engineering Workers tabled a 40 per cent claim at the beginning of the year for 7,000 workers. Talks have been adjourned until a settlement is reached at the parent company, Massey-Ferguson.

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Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● COMMUNICATIONS

Written messages by phone

WHAT AMOUNTS to a combination of telex, message switching and telephone answering can be obtained from an equipment called Telepost put on the market by Racal-ESL of High Wycombe.

Senior executives travelling in the UK or abroad can carry with them, or perhaps have installed at a temporary base, a compact teletypewriter with audio coupler. To send a message the user places the nearest phone handset on the coupler nest, dials the number and some identification codes, and can file a message into the central computer memory, also suitably coded so that only prescribed people can gain access to it from other; similar terminals.

Thus, wherever one may be in the world, provided a phone is available, messages can be left for other designated people to pick up, in complete security claims Racal-ESL. Some confidential data could remain permanently stored and updated and Telepost should prove particularly effective where time differences make personal contact difficult and when security is vital.

It is based on the company's ESL 1044 communications controller and uses a management software program developed by Telepost Systems.

A virtually unlimited number of terminals can access the Telepost files and up to 11 simultaneous connections can be accommodated.

A free form message format is used which includes automatic message serialisation and time and data insertion. All messages have recorded delivery and various personalised addressing schemes are possible enabling names or initials of individuals to be used. Various sizes of store are available according to the user's requirements.

More from the company at Coronation Road, High Wycombe, Bucks (0494 23416).

Heard but not seen

AN EQUIPMENT called Confertel, put on the market by Telspec of Maidstone enables up to 11 people in different locations, national or international, to have a meeting on the telephone.

A meeting is held by participants ringing into a pre-assigned number at an agreed time or, at short notice by an operator dialling the participants.

A chairman runs the meeting from the central location using a desk top console. Under his control individuals can talk and be heard by everyone else. The equipment can work on two conference channels, enabling a meeting to be divided into two simultaneous groups making up any combination of up to 10 lines. The chairman can switch between the groups. At any time he can intercept a line and hold a private conversation.

If all 10 lines are not in use, other participants can ring in or be dialled during a meeting. Like the others, their numbered position in the conference will be shown on the console.

Telspec is at 15 The Broadway, Maidstone, Kent ME16 8PW (0622 56846).

From text to telex

ASSUMING THAT one can start with an office-typed version of a message that is to be sent by telex, the normal processors are by-passed by using a machine called Tele-Typereader available from General Audio and Data Communications, 70 Akeman Street, Tring, Herts HP23 1AJ (044282 4011).

This machine incorporates a scanner which uses optical character recognition principles to "read" the typed text, converting all the characters to electrical signals ot feed a CRT terminal on which headers, trailers and text changes can be made.

When the message is complete, futrher signals are sent to a heavy duty punch which then produces a telex tape at 75 characters per second—about 20 times as fast as a professional telegraphist. The tape is put straight on to a tape sender.

The company points out that telex operators typically spend much time rekeyboarding text which has already been typed and checked in the originator's office: the new machine obviates the problem.

No need for new TV set

THE NEED to rent a completely new television receiver in order to use the Post Office's Prestel phone line transmitted information service is obviated with the announcement of a special adaptor from Granada TV Rental.

The company says it can save up to 40 per cent on the normal annual rental of the complete special receiver.

The unit plugs into the aerial socket of nearly all ordinary sets and because several sets can be run together, most business requirements can also be met.

It contains all the electronic functions needed for viewdata including the modem, auto-dialling, logic decoder, colour encoder and UHF modulator. It is designed to be mounted unobtrusively near to the Post Office jack plug to which it will be connected.

Annual rental for the adaptor is just under £250, which compares with the annual rental for a 22 ins Prestel set of £424.

Granada TV Rental is at P.O. Box 31, Ampthill Road, Bedford MK24 9QQ (0234 55233).

● CONSTRUCTION

Seeking an opening in U.K. market

CONCRETE FLOOR laying equipment manufactured by Dynapac of Sweden is being used by Marples Ridgway Building in the construction of a 5,300 square metre warehouse for the Consortium for Purchasing and Distribution operated by Wiltshire County Council.

The warehouse will form part of a £1.6m supplies depot and one of the main requirements is for a floor (which is being laid at the rate of 130 square metres a day) that is as level as possible and has the minimum of joints. It is the first time that the Dynapac equipment has been used in the UK and it marks th ecompany's opening moves to sell its products in this market.

Winget of Rochester, Kent has been appointed distributor both for the concrete floor laying equipment and for a range of light compaction units now also being introduced. The latter includes four vibrating-plate compactors, a tandem roller and a "walk-behind" roller.

Dynapac is also putting on the UK market a range of high pressure washing units for cleaning construction plant and a sandblaster which can be connected to the washers for cleaning very dirty equipment or for such tasks as preparing concrete surfaces for repainting. Sales of this equipment are being handled through Dynapac's UK office at 1A Cheltenham Terrace, London, W.3.

Plastics roofing

SUGGESTED FOR use on traditional and pre-engineered overseas housing developments where transport can be both difficult and costly is a glass reinforced plastics roofing system developed by British Industrial Plastics, PO Box 11, Tat Bank Road, Oldbury, Warley, West Midlands (021 552 1551).

Designed for use on 20 degree roof pitches, the panels give a more traditional appearance than is usually associated with this type of roofing.

The minimum number of components are used, making for simple and speedy erection, says the company, and panels and fittings promise to remain structurally sound for up to 30 years in a north European climate.

Equipment on show

ONE OF the largest annual demonstrations of construction equipment will be held at Hatfield, Herts, from April 22 to 24. Over £10m worth of machines will be shown in action says promotor Contract Journal, Surrey House, 1, Throwley Way, Sutton, Surrey (01-643 8040).

Potential purchasers and others will be able to see machines digging, lifting, hauling, scraping, drilling and dozing.

Equipment will emanate from 15 countries and is said to include almost everything needed by the construction man, from pumpers to pushers, dumpers to dozers, loaders and lifters, tuggers and pullers.

● INSTRUMENTS

Yachtsman's data system

THE MARINE instrumentation company Brookes and Gatehouse, anticipating the demand by yachtsmen and power boat crews for the display of more measured and calculated data in the cabin, has developed a 32 channel system based on a GEC Semiconductors custom designed microchip and a microprocessor.

The instrument company points out that beyond 10 parameters the cost of using analogue displays becomes prohibitive, quite apart from the difficulty of finding the space in which to mount the meters.

Only two basic units are used in the new system, a computer unit and a multi-function digital display which can be pre-set to show four sets of data. The data communications facilities resulting from the use of the chip allow a number of the display units to be connected together so that each could then display one of the four quantities. They would include such things as forward speed, heading, apparent wind speed and direction, logged data, timing information and so on.

A master keyboard units is used to call up and display any items that are being handled by the computer; it has a control to inhibit barred functions when operating under racing rules.

More from GEC Semiconductors at East Lane, Wembley, Middx. (01-904 4111) or from Brookes and Gatehouse at Lymington (0590 74252).

Watching wind speed

MOTORWAY POLICE responsible for the M4 motorway approaches to the Kenfig viaduct in Mid Glamorgan can now see wind speed and direction at a glance in their control office at Bridgend using a system designed by W. S. Atkins and Partners.

Motorists approaching the viaduct from the west where the preceding road is protected by a cutting, often experience sudden cross wind problems: now, the police will be able to get immediate data of possible dangerous conditions.

The anemometer and vane equipment now installed at Kenfig use opto-electronic techniques to provide an accurate digital signal for frequency shift keying (FSK) telemetry transmission to the control office 19 km away. Here, the decoded wind speed and direction are presented on two LED digital displays and the same data appears on the equipment housing at Kenfig to assist police units on the motorway.

W. S. Atkins Group is at Ashley Road, Epsom, Surrey KY18 5BW (03727 26140).

Identifies metals

A PORTABLE visible emission spectrometer housed on a small trolley that allows some 300 tests per hour to be made on metal stock, at goods inwards inspection and similar points has been designed by Kirkby Process and Equipment, Abercrombie Road, Kirkby, Liverpool L33 7YN (051-546 7929).

Called Spectrotest, the instrument has a dc arc excitation unit at the end of a 10 metre flexible optical duct which transmits the characteristic emitted light wavelengths to the entrance slit of the spectrometer unit on the trolley. At any one time eight of these can be separated by the spectrometer and their intensities displayed on digital voltmeters. Before testing a reference sample is sparked and the characteristic spectral intensities are stored.

Deviations of intensities outside pre-selected tolerances can be detected and alarmed. A total of 16 spectral lines are available for measurement.

● MAINTENANCE

Control of heating

THE MORE complex kind of heating and ventilating system found in big office blocks, large institutions, industrial sites and so on can be closely monitored with an electronic system called "Maintenance Man" offered by PRL Fuel Consultants, Harbour Point, Victoria Parada, Torquay, Devon (0803 213831).

Sensors can be connected to the unit from a variety of building functions including heating, cooling, ventilation and humidity control.

The monitor, about the size of a shoe box, can be sited at any convenient point and will give adequate and easily identifiable early warning of equipment failure states the company.

● SECURITY

Detects presence of trespassers

USING AN almost invisible biodegradable fibre sensing line not much thicker than a human hair is a method of trespass warning and detection, called Sentry Line, introduced by Delta Security, Castle Street, Axminster, Devon (0297 32033).

It will identify alien movements across a particular line and pass the information, via a two-wire cable, to a control monitor which can be nearby or remote from the area under surveillance. Indication is given of speed and depth of entry past the datum line over a sector distance, typically 150 metres.

Because the Ministry of Defence placed a prohibition on the new product, it has taken six months to announce its launch, says the company. However, since it came from under wraps, commercial production has now started.

The system can be used by itself or as a complementary system to existing outdoor intruder detectors, such as radar, infra-red beams, seismic, ball-vibration and capacitance systems; etc.

Typical uses would be in factories, and storage areas.

Down on the farm it will give warning of rustlers, poachers and other undesirables.

The equipment includes a canister containing 600 metres of fibre line, a control monitor with a self-contained battery, 100 mertes of lightweight cable with connecting plugs and apropriate line support posts for 150 metres of cover.

● NAVIGATION

Fixing a position

THE U.S. subsidiary of Oscilloquartz (part of the big Swiss horological company ASUAG) is to supply caesium beam clocks for the American Global Positioning System (GPS), an all-embracing world navigational system controlled by the U.S. Air Force, but planned to become available for civil use in due course.

The ultimate aim is to have three rings of orbiting satellites each in a 12 hour orbit with their orbital planes inclined to the equator so that at any moment there are at least four satellites visible for position determination to any viewer on the planet's surface.

Each satellite carries an extremely accurate atomic (caesium) clock, as would each shipboard or airborne station. Then, the elapsed time between the emission of a radio impulse by the satellite and its arrival measured by the user's clock would be a direct measure of the distance of each satellite from the user, thereby fixing its position, on or above the earth's surface. Eight satellites have been launched so far and it is expected that all 24 will be operational within five years.

● PLASTICS

Watches the machine

A DEVICE called Cycle-Logic from Engelmann and Buckham Ancillaries keeps a continuing watch on an injection moulding machine, allowing precise co-ordination through optimum speed setting of the three phases of mould closing, injection and opening.

The electronic unit, a small box with displays and buttons that can be fixed to a wall, records production runs for up to three shifts, showing the true number of production hours per shift.

Displaying an instantaneous count of parts produced, rejects, downtime incidence and cumulative downtime, the machine provides a continuous production progress report. It can be easily wired into any moulding machine.

More from the company at William Curtis House, Alton, Hants, GU34 1HH (0420 82421).

● COMPUTERS

Table top machine

RELEASED IN the UK by NCR is a table-top small business machine the I-8140, a flexible disc - based microprocessing system that combine direct data entry and magnetic file processing with simple operation and low processing costs. It is aimed at the low end of the market and at the new computer user.

Both the hardware and software power can be selected on a modular basis and so can be "grown" with processing requirements.

NCR states that interaction between operator and system via the precise instructions on the screen allows inexperienced personnel to become productive with hte minimum amount of training.

Hardware of the I-8140 is the processor with 64k bytes of memory with integrated VDU, separate keyboard, two dual drive flexible disc recorders and a table top visual record printer. The latter is new from NCR; it will print multi-part forms, continuous stationery, and ledger cards. It will also link information on ledger cards or cut forms via optically-read bar codes to information stored on the discs.

The flexible disc unit is also a new item. It can be single sided, single or double density, or double sided density giving a capacity up to four megabytes.

The 8140 replaces the 8130 and is upward migratable, providing entry level to the NCR 8000 family of machines. The 8140 will employ 8130 applications software without change. It uses Cobol 74 as it main program language with Basic as an alternative.

More from 206 Marylebone Road, London NW1 6LY (01-723 7070).

The Queen's Awards

FOR EXPORTS AND TECHNOLOGY

From lift trucks to tableware, exporters hold their own

BY JAMES McDONALD AND GEOFFREY OWEN

IF AN importer receives a consignment of cheap, yet apparently good quality, kitchen knives from Korea he should not be too sceptical if he sees "Made in Sheffield" on the blades. That is more than likely where they were made, and of British steel too.

Westall Richardson, of Sheffield — manufacturers of kitchen knives and knife blades —is one of 87 British firms that has received this year a Queen's Award for Export Achievement. In the face of fierce competition, particularly from the Far East and Germany, the company has succeeded in exporting to 64 countries throughout the world. Singapore, Hong Kong, Italy, West Germany and the U.S. are large customers and South Korea is now making inquiries. Of last year's output, 82 per cent was exported.

Mr. A. B. Upton, the managing director, claims that it is the largest producer of kitchen blades and knives in the EEC. Its success in competing with low labour cost Far East countries has been achieved by a deliberate policy of automation with self-designed equipment.

"In 1959 we were producing 250,000 blades a week with 170 workers. Now we are turning out 750,000 a week with 70 people and we are still working to improve our machine design."

The number of awards this year for export performance compares with 102 in 1979 and is the lowest since the 1975 total of 76. There were fewer applicants too; at 941 they were 449 fewer than in 1979 and the lowest total since the 892 who applied in 1974.

The winners range in size from companies such as J. H. Clissold and Son, of Bradford—tailoring its cloth designs for specific markets throughout the world and this year achieving an export turnover of £1.3m—to the giant General Electric Company, two of whose subsidiaries, GEC Turbine Generators and Marconi Radar Systems, win awards this year, bringing the total for the group to 55 since 1966.

Other big companies include GKN, whose Hardy Spicer subsidiary, making constant velocity joints and propellor shafts, raised its exports from £8.6m (18.5 per cent of turnover) in 1977, to nearly £20m (33 per cent of turnover) in 1979. The breakthrough came when Chrysler of the U.S. ordered constant velocity joints for the Omni and Horizon small cars. American Motors is also an important customer, as is the Ford transmissions plant in Bordeaux.

Three of Vickers' subsidiaries are on the list. They are the Howson Algraphy Group, a world leader in the manufacture of lithographic printing plates, the Design and Projects Division, concerned with large contracts for unique facilities, and Kearney and Trecker Marwin, machine tool manufacturer. This last company specialises in machining centres and in big transfer lines for the motor industry; one of its biggest overseas orders was for the Ursus tractor factory in Poland. Since being acquired by Vickers in 1978, KTM has more than doubled its exports.

There are a good many repeat winners. Rank Xerox gains its fifth award since 1966. Exports last year were £177m with royalties, dividends and other income from overseas adding a further £92m to overseas earnings. In the five years since its last award overseas earnings have totalled nearly £1bn.

Similarly Redifon Simulation—a member of the Rediffusion Organisation—has won its third award since 1966. It designs and makes advanced simulators, trainers, motion systems and visual systems for use by airlines and armed forces in aircrew training. Of its present £80m order book, over 80 per cent is for export.

The big contractors are well represented. Davy McKee (Minerals and Metals), the recently re-named subsidiary of Davy Corporation (following the acquisition of McKee in the U.S.) has won an award. Davy McKee now reckons to supply a wider range of process industries than any of the other leading contractors. Among its recent contractors are the Acominas steelworks in Brazil, a gold mine in Venezuela and a copper refinery in South Korea. Another Davy subsidiary, Loewy Robertson, manufacturer of rolling mills, also won an award. Two recent orders have been for an aluminium rolling mill in the U.S. and a stainless steel tube mill in Czechoslovakia.

An encouraging feature is the presence of companies operating in difficult industries such as textiles and steel. Apart from Clissold, other textile and garment companies include Cojana International Fashions (high quality tailored suits and coats), S. & S. Ellis (wedding and evening dresses), Lamcoat Papers (specialised textile wall coverings), and Wearwell (ladies' childrens' and men's outerwear). In steel, Round Oak Steel Works, jointly owned by Tube Investments and British Steel, has pushed up its exports of carbon and alloy steel bars from £9m to £21m in the last three years. It regularly exports around 25-30 per cent of its production against less than 10 per cent a few years ago.

Foreign-owned companies are well represented and it must be particularly satisfying for Sony of Japan to be among the winners. Last year it sent out 125,000 colour TV sets from its Welsh factory with 720 employees (20 Japanese) and 50 per cent were exported, mainly to western Europe.

The U.S.-owned Mars—whose British confectionery division won an award in 1979—this year obtains another for its money systems division which manufactures at Slough electronic coin mechanisms for automatic coin machines.

As usual, the most striking feature of the list is its diversity. It includes traditional British products like Scotch whisky (Macdonald Greenlees, J. G. Turney and John Walker) and ceramic tableware (Josiah Wedgwood). There are solid engineering products like pumps and forklift trucks (Lee Howl and Lansing Bagnall) and a sprinkling of small electronics companies like Coline (oscilloscope probes for use with test and measuring equipment) and Quantel, a leader in the application of digital techniques to broadcasting.

Financial

There are two financial institutions (Standard and Chartered Bank and the Mercantile and General Reinsurance Co.) and one newspaper, the Financial Times, winning its third award.

Among the more unconventional winners is Aero-Print, which is a world leader in security printed airline documentation, specifically airline tickets. It is a subsidiary of Bradbury, Wilkinson, the bank note and security engravers and printers, which already has two awards to its credit.

Until 1969, when Aero-Print was formed, most airlines had their tickets produced by local printers and there was quite a flourishing racket in the purchase of, say, an airline's ticket for a short, inexpensive flight, forging it into an expensive long-distance first-class ticket and then claiming a refund on the unused ticket. The company's sales have risen from about £2m in 1977 to an expected £5m this year, and about 85 per cent of sales are exported.

Peboc, an Anglesey company jointly owned by C. T. Bowring and Co. (Fish Oils), and Philips Electronic and Associated Industries, has received the award for its exports of vitamin D3, an essential ingredient in animal feeding.

The small High Wycombe firm Detexomat Machinery wins an award for its export performance, up in three years from £800,000 to £2.4m, with a range of automatic toe closing machines — used in the production of pantihose, stockings and socks. About 85 per cent of the machines go abroad.

Another small organisation, Reynolds Medical, gains the award for exporting about 80 per cent of its £1m a year sales of a British invention in the field of 24-hour electrocardiography analysis. The most important markets are the U.S., Europe, Japan and the Middle East.

J. Marr and Son, the Hull trawler operators, because of changes in distant water fishing opportunities, has operated for longer periods in home waters with mackerel forming a large percentage of the catch. This led to the company opening up markets for mackerel abroad and to its export award this year. Over the past three years exports of fish and allied products have risen from £492,000 to £11.4m.

AWARDS FOR EXPORT ACHIEVEMENT

Company	Principal Products or Activity
Aero-Print	Airline documentation
Alcan Plate	High technology aluminium plate
Allied Colloids	Chemicals
Ames Crosta Babcock	Water and sewage treatment plant
Amey Roadstone Construction	Road and airfield construction
W. S. Atkins Group	Engineering, planning and management consultants
Babcock Woodall-Duckham	Engineering and process plant contractors
Binnie & Partners	Consulting engineers
Bostwick Doors (UK)	Commercial and industrial doors
Brickhouse Dudley	Iron and steel products for building and civil engineering industries
Bristol Packaging Machines	Wrapping and packaging machines
British Airways Engine Overhaul	Air engine overhaul
British Nuclear Fuels	Nuclear fuel cycle services
Capper-Neill International	Engineering process plant
J. H. Clissold & Son	Wool and wool/polyester fabrics
Cojana International Fashions	Ladies' fashion
Coline	Oscilloscope probes for electronics industry
Davy McKee (Minerals & Metals)	Engineering and construction
Detexomat Machinery	Clothing manufacture machinery
The Byron International Division of Dobson Park (Engineering)	Children's typewriters, sewing machines and cash registers
Dowty Mining Equipment	Hydraulic roof support systems for mines
Dowty Rotol	Aircraft equipment
Drallim Telecommunications	Pressurisation equipment for cables
The Drum Engineering Company	Road tanker discharge equipment
Electroheating (London)	Tube welders and induction heat equipment
S. & S. Ellis	Wedding and evening wear
The Financial Times	Newspaper, newsletter and other publications
Frankel Microfilm Holdings	Microfilm equipment
GEC Turbine Generators	Steam turbines for power stations
GTS Flexible Materials	Electrical laminates and adhesive tapes
Gardners Transformers	Transformers and electronic power supplies
Gemmill & Dunsmore	Yarn machines
James Gentles & Son	Quantity surveyors
Hardy Spicer	Joints and drive shafts
Healey Mouldings	Plastic mouldings
Hobourn-Eaton	Pumps
Hughes Tool Company	Rock drill bits
I.D.M. Electronics	Precision sliding contact devices
Jackstone Froster	Freezing equipment
Kearney & Trecker Marwin	Machine tools
Lamcoat Papers	Textile wall coverings
Lansing Bagnall	Fork lift trucks
Lee Howl & Co.	Pumps
Lewmar Marine	Winches for pleasure craft
Linotype-Paul	Electronic equipment for phototypesetting and graphic arts industries
R. A. Lister & Co.	Diesel engines
Loewy Robertson Engineering Co.	Plant for metals industries
McCain International	Potato processing
Macdonald Greenlees	Whisky
Sir M. MacDonald & Partners	Consulting engineers
Manesty Machines	Tabletting machine for chemical and pharmaceutical industries
Marconi Radar Systems	Air defence and naval radar systems
J. Marr & Son	Fishing, fish oil
The Mars Money Systems Division of Mars	Automatic coin machine equipment
The Mercantile & General Reinsurance Co.	Insurance
The Electrical Division of Newage Engineers	Generators
Norman Magnetics	Computer tape equipment
Oilfield Inspection Services	Oilfield equipment inspection
Peboc	Vitamin production
Pinneys Smokehouses	Smoked fish
Quantel	Digital equipment for broadcasting
Racal-Datacom	Electronic encryption units
Racal-Redac	Computer systems
The Rank Taylor Hobson Division of Rank Precision Industries	Precision measuring equipment
Rank Xerox	Copying machines
Raychem	Wires and cables
Redifon Simulation	Simulators for airlines
Redler Conveyors	Conveyors and elevators
Reynolds Medical	Electrocardiography equipment
Stewart Ross & Co.	Well drilling equipment
Round Oak Steel Works	Carbon and alloy steel bars
The Ryvita Co.	Crispbread
The Aircraft Division of Short Brothers	Aircraft
A. O. Smith Harvestore Products	Agricultural structures
Sodastream	Soft drink machines
Sony (UK)	Colour TV sets
Standard Chartered Bank	Banking
Trusthouse Forte	Motels and catering
J. G. Turney & Son	Whisky
The Design and Projects Division of Vickers	Capital equipment contracts
The Howson-Algraphy Group of Vickers	Lithographic printing plates
John Walker & Sons	Whisky
Wearwell	Clothing
Josiah Wedgwood & Sons	Ceramic and glassware
Westall Richardson	Knives and knife blades
Whatman Biochemicals	Diagnostic enzyme production
Wimet	Cutting and mining tools

Her Majesty the Queen has made 87 awards to British companies for export achievement this year and 17 for technical achievement

Electronics and agricultural research among few at the front

"THAT'S WHAT small businesses are all about—being right up at the front in their own technology," says Sir Peter Matthews, chairman of Vickers.

One of the small businesses in what he calls his "engineering conglomerate" is Howson-Algraphy, which adds a Queen's Award for technological achievement, to two previous awards for exports.

Howson - Algraphy, which earned over £10m profit on £53m of sales in 1978, is probably the nearest thing Vickers possesses to an assembly-line operation. Its manufacture of lithographic printing plates is backed by a research and development effort in a dedicated research centre in Leeds employing more than 100 people.

The award is for their design of automated processes for plate-making for newspapers and high-quality printing.

Five of the 17 companies receiving an award for technological achievement this year have earned one before, among them Ferranti.

Advanced technology is an activity Britain is well-qualified for, through its educational system, says Mr. Derek Alun-Jones, chief executive of Ferranti. "It is an advantage we should look to pursue." Under his direction the company has largely shed its less advanced activities — such as transformers — which helped to get it into the red in the mid-seventies.

Today it is almost wholly in electronics. Over 60 per cent of its busines is military electronics. It has an R and D programme costing about £30m a year, mostly under contract for its defence customers.

The award to Ferranti Electronics is for its technique for making mocrominiature "chips" tailored to a customer's particular requirements. The technology of uncommitted logic arrays (ULA) is a quick way of designing and making new circuits, neding only a single mask to integrate the circuit where normally between five and 11 would be required.

Using ULA, the company claims, very complex silicon chips can be developed for as little as £7,000, where commonly the cost is 10 times this figure.

Sensors

Two further awards are for developments in "chips" by UK offshoots of U.S. companies. The semiconductors division of III Industries earns one for the design and manufacture of random access memories for computer and data processing systems. National Semiconductors (UK) earns the other for the design and production of an integrated circuit which suppresses electrical noise in recording and transmission systems, especially in cassette tape recorders.

Sensors — the instruments which generate signals to activate electronic circuits—feature in several other awards.

One sign of the times is an "electronic nose" from Analytical Instruments for sniffing out explosives. It has been designed to be used as a security system on doorways for quickly but covertly screening large numbers of people.

Another is the fuel cell sensor of Lion Laboratories, which forms the heart of the Alcometer instrument used by the police, and elsewhere, to measure blood alcohol by measuring the alcohol content of air expired from the lungs.

Monotype International wins an award for a laser sensor driven by a computer, which forms the basis of its commercially successful new phototypesetter.

Yet another is the Touch Trigger range of measuring probes designed and made by Renishaw Electrical, specialists in measuring and inspection, for use with co-ordinate measuring machines and machine tools.

At the heart of a particularly sophisticated sensor required for the analysis of complex organic structures by means of neutron magnetic resonance (NMR) spectroscopy is a powerful superconducting magnet developed by Oxford Instruments.

The award—its third—is for the design, development and manufacture of highly advanced superconducting magnet systems for NMR, including the world's first stable 470 megahertz system.

This magnet, developed for the Enzyme Group led by Professor Sir Rex Richards at Oxford University, achieves a magnetic field strength of 11 tesla at its core.

The Science Research Council's Rutherford Laboratory collaborated in the development of superconducting materials for the magnet. It has been wound from two different kinds of superconductor, to overcome the problem that conventional niobium - tin superconducting alloys cannot sustain fields higher than 9.4 tesla.

Thus the Oxford NMR magnet is the first of a new generaton of NMR magnets designed to maintain very high magnetic fields, extending the technique to much higher frequencies and sensitivities. It maintains its field with remarkable persistance, decaying at a rate of less than 2 parts in 100m per hour.

Magnet

The company's success in preventing losses of liquid helium, so that the magnet performs almost as consistently as a permanent magnet, is the *main reason why NMR magnet* system sales have taken off so dramatically. Orders for the year to September, 1979, totalled £2.5m, and this year will be even better, the company says.

Linotype-Paul, a subsidiary of the U.S. Allied Chemicals group, has won awards for exports as well as technology.

The technological achievement is the Lintron 202 phototypesetter, which uses a cathode ray tube and fibre optics to set typeon photographic paper. Unique, claims the company, is the digital generation of character outlines, which provides its high speed, 400-500 news column lines a minute.

Over 1,500 Linotrons 202s have been ordered since the new model was introduced in mid-summer 1978. The typesetter can be operated on-line using the company's System Five, or by way of paper tape or floppy disc.

The company has built a strong export business with 65 to 80 per cent of its sales overseas during the past eight years. It is the technical centre of the Mergenthaler group and its technical director, Mr. Derek Kyte, is responsible for co-ordinating the three R and D centres of the group, in Frankfurt, Long Island and Cheltenham.

A national laboratary, the Agricultural Research Council's Rothamsted Experimental Station, wins an award for its development of a new family of powerful yet remarkably safe insecticides.

These are the pyrethrin analogues, under commercial development by such companies as ICI and Shell and protected worldwide by over 300 patents applied for by the National Research Development Corporation.

Foremost among the inventors is Dr. Michael Elliott, who has led the work at Rothamsted for over 30 years. His success first in resolving relationships between chemical structure of the natural pyrethrins and their insecticidal activity, and later in synthesising more powerful but safer compounds, proved remarkably timely.

Barriers

The photostable pyrethroids, for which the award is given, arrived at a psychologically important moment in the seventies when environmentalists were demanding safer pesticides. Dr. Elliott believes they are probably the first examples of an important new class of pesticides.

As a result, they have surmounted the barriers raised by regulatory agencies to reach the market several years earlier than was expected. The U.S. Government, for example, gave emergency clearance for their use on the U.S. cotton crop in 1977 and 1978.

NRDC believes that pyrethroids may take as much as one-quarter of the global market for foliar pesticides by 1982, and that "sales at end-user prices may eventually reach $1bn per year."

DAVID FISHLOCK

Photographs by Ashley Ashwood, Terry Kirk, Trevor Humphries.

EXPORTERS WORLD-WIDE: ABOVE, LEFT, a Redifon-built Boeing 727 flight simulator installed at Lufthansa's training centre, Frankfurt, by Redifon Simulation, of Crawley, Sussex, whose main market are the U.S. and Brazil (previous awards 1966, 1970). TOP: Mr. Hamish Orr-Ewing, chairman Rank Xerox, a world market leader in copying machines, duplicators, electronic printing and facsimile transceivers (four awards, latest 1975). CENTRE: A Financial Times' European distribution van leaves the Frankfurt printing plant. The group exports journals to more than 120 countries and derives export earnings from advertising and services (previous wards 1971, 1975). BOTTOM: Sony (UK)'s latest viewdata monitor, used by Prestel, manufactured at Bridgend, Wales. This subsidiary of the Japanese company exports components to Japan.

AWARDS FOR TECHNOLOGICAL ACHIEVEMENT

Analytical Instruments	Security equipment
Cape Boards and Panels	Fire resistant boards
DJB Engineering	Dump trucks
Ferranti Electronics	Microcircuiting equipment
Matthew Hall Engineering	Production facilities for North Sea Claymore "A" platform
The Semiconductors Division of ITT Industries	Silicon integrator circuits
Linotype-Paul	Digital phototypesetters
Lion Laboratories	Analytical instruments
Micro Consultants	Electronic video image processing
Monotype International	Computer-controlled phototypesetters
Morgan Refractories	Protection systems for furnaces
National Semiconductor (UK)	Integrated circuitry for tape recorders
Oxford Instruments	Magnet systems for spectoscopy
Racal Safety	Respiratory protection equipment
Renishaw Electrical	Measuring machine probes
Rothamsted Experimental Station	Agricultural insecticides
The Howson-Algraphy Group of Vickers	Lithographic printing

LOMBARD

Consternation in Treasury

BY SAMUEL BRITTAN

THE DEMANDS of the House of Commons Treasury Committee for information and explanation have caused a good deal of consternation in the Treasury itself. Requests by Parliament or anyone else for the disclosure of the reasoning behind official decisions nearly always give rise to quite excessive concern in the official machine, as I discovered when writing my own book on the Treasury.

The best way to keep the inquisitive hounds at bay is to drown them with a flood of figures, reports and analyses. This was the motto of Lord Croham the former head of the Treasury and Civil Service, which always worked whenever he tried it. Official forecasts of, for instance, unemployment are given the exaggerated importance of which Sir Geoffrey Howe complains, precisely because they are treated as sensitive and secret—and thus attract particular attention when they leak. There is probably at least as large a spectrum of views about the course of unemployment among Sir Geoffrey's advisers as among outside commentators, with no greater a degree of validity.

Sensitivity

On this occasion, however, there is an extra reason for the undue sensitivity. Some of the Treasury Committee's members and advisers still regard the main innovation of the Budget—the Financial Strategy—as an old-fashioned economic forecast. As a number of Treasury officials still tend to think of it this way themselvse it is no wonder that they are worried. Old habits die hard.

Properly understood, the Financial Strategy is a statement of *intentions* about those things under Government control. These are meant to be pretty firm on the money supply and deliberately less firm on public sector borrowing targets, which are seen as an instrument for achieving the former. Other policies will be adjusted to ensure the intentions come true if the strategy is observed—admittedly a crucial "if." Sir Geoffrey has only to adhere to these simple points and he can leave the Committee's witnesses to argue until the cows come home about the likely course of output and employment.

Of course, if one believes, with the Cambridge Group, that there are no self-stabilising forces in the economic system and that a strategy of monetary targets without an incomes policy or an exchange rate policy will lead to ever-deepening recession with no recovery even in the mid-1980s, then the whole approach is wrong. Key officials who have more than a sneaking sympathy with the Cambridge diagnosis can hardly be expected to be very confident about public probing and may easily transmit their anxieties to the Chancellor.

Solution

One can just see "Sir Humphrey" of the "Yes, Minister," television series nodding discreetly and reminding his political "master" of warnings which were given before the decision to publish the medium term financial strategy was taken. It is a politician's job to make a choice among divergent experts. Having made it, he should not be surprised if those on the other side continue to shake their heads, confident that their time (incomes policy time) will come.

The publicly admitted Whitehall ground for worry is different. It is that the Treasury Committee will take up too much time of officials and economists who ought to be concerned with real problems rather than forecasts or defending past decisions.

But a solution lies to hand. Too many Treasury economists are deployed on a forecasting model now generally felt to be excessively complicated and time-consuming, and the detailed results of which are rarely used. Some of these, who include highly talented and articulate people, could be redepolyed to reinforce the Treasury's dialectical resources—which would still leave a surplus for other work. The potential conflict between "open government" and curbing the growth in bureaucrats need not occur in the particular matter of the select committee if available resources are properly utilised.

Conveyancing: Why the solicitors' monopoly should be maintained

THE WEEK IN THE COURTS

BY JUSTINIAN

ONE OF the few surprising recommendations of an otherwise sedate and unexciting report from the Royal Commission on Legal Services was the majority view that the solicitors' monopoly of conveyancing should not be broken. Indeed the majority of the Commissioners wanted to strengthen the professional monopoly.

The present restrictions prevent an unqualified person from drawing up a conveyance or document of transfer, but they do not prevent such a person from drawing up a binding contract which is exchanged by the two parties. This anomalous position can be cured only by an amendment to the present statute, so that the unqualified persons is not merely prohibited from drawing up the final document but also from preparing a contract for the sale of the property. (The prohibition is, of course, only against the unqualified person doing the conveyance for gain. House purchasers are not discouraged from continuing to act for themselves in buying or selling their houses, wherer or not assisted by an unpaid friend or agent.)

The argument in a nutshell for maintaining and even extending this restrictive practice is that conveyancing is a tricky business and not the straightforward affair that some members of the public fondly believe. Hence, only a qualified person can provide the necessary protection from anything going wrong, both with arranging the contract for sale and with the drawing up of the formal documents of transfer. Conveyancing is in fact a complicated business because frequently there is not just a single sale and purchase of a house, but a chain of transactions. Frequently a house owner will sell his house only as and when he can purchase a replacement home; and no buyer will buy unless and until he can sell his own house. Each buyer and seller needs time to make up his mind while he studies the surveyor's report and makes his own arrangements respectively to sell and buy.

Each party in the chain of house purchases expects everyone else in the chain to be ready to exchange contracts when he is ready. Conveyancers are called upon to forge the chain, and to ensure that no bargain is lost and no one is left homeless. Mistakes are bound to occur occasionally and each party must be protected against financial loss. In conveyancing, therefore, solicitors acting for the various partes play an essential part, sometimes entering into undertakings on behalf of their clients with their opposite numbers.

The difficulties than can and do arise prompted the Commissioners to conclude that conveyancing should be confined to members of a trained and responsible profession; and they were led to suggest improvements of the existing service rather than to dilute the professionalism or to permit a new breed of non-legally qualified professional conveyancers to invade the solicitors' monopoly.

The Commissioners could not have anticipated that so soon after their report a case would come before the courts that amply justified their reasoning. The case in the Appeal Court, *Domb v. Isoz*,* illustrates at least some of the difficulties inherent in house-purchasing that are highly relevant to legislative policy over conveyancing.

Mr. and Mrs. Domb were proposing to sell their house and buy another one from Dr. Cecile Isoz. In her turn Dr. Isoz was proposing to buy a flat. In December 1977 the Dombs' solicitor sent to Dr. Isoz's solicitor the Dombs' signed part of the contract for the purchase by the Dombs of Dr. Isoz's house, and requested Dr. Isoz's solocitor to hold both the contract nd the deposit to his (the solicitor's) order until both solicitors wereable to agree on the telephone that contracts might be exchanged and the date for completion. The Dombs' solicitor also said that he wisbed to effect simultaneous exchange of contracts on both the Dombs' sale of their home and the purchase of the house from Dr. Isoz.

On February 9, 1978, Dr. Isoz's solicitor had in his possession his client's signed part of the contracts relating to both the sale and purchase of Dr. Isoz's house and the purchase of the flat for Dr. Isoz. On that date Dr. Isoz's solicitor telephoned the Dombs' solicitor and both agreed March 2 as the completion date for the sale of Dr. Isoz's house. They also agreed that the contracts should be treated as immediately and irrevocably exchanged.

The sale by the Dombs of their house to the third party was completed, but the purchase of the flat by Dr. Isoz from her third party fell through—a familiar enough pattern of house-purchasing. When Dr. Isoz declined to complete with the Dombs, because she was not in a position to purchase the flat, the Dombs brought proceedings against her for specific performance and/or damages. The trial judge dismissed the action on the ground that there was no concluded contract between the Dombs and Dr. Isoz. The Appeal Court reversed that decision.

The Court held that a solicitor employed to act in a contract of sale of land had, in the absence of any express instructions to the contrary, implied and ostensible authority to effect an exchange of contracts binding on his client by any method effective to constitute the exchange. From the moment of the telephone conversation on February 9 between the two solicitors, Dr. Isoz's part of the contract was in the effective control and constructive possession of the Dombs' solicitor; therefore, a binding contract had been concluded.

Since the telephone is an instrument productive of misunderstanding and since there may be uncertainty about the terms and effects of a telephone conversation creating an exchange of contracts, some safeguard needs to be inserted into the practice. As a matter of professional practice exchange of contracts by telephone can be carried out only by a partner or proprietor of a firm of solicitors. And when they do, it is the invariable practice that they agree to record identical attendance notes in order to avoid differences in recollection of what was said and agreed on the telephone.

The moral of this tale is that such safeguards for the house-purchasing public can be attained only by the enforcement of professional standards and practices to which the law can attach simple legal rules.

* [1980] 2 W.L.R. 565.

Nureyev tipped for Guineas

RACING

BY DOMINIC WIGAN

FINAL STRAW and Saint Jonathan both proved worthy home-trained winners of Saturday's Newmarket trials—the Greenham and the Timeform Race Card Stakes—but the principal sequel to their successes was that France's Nureyev further tightened his stranglehold on the 2,000 Guineas betting.

For with Monteverdi now clearly exposed as a colt lacking that invaluable attribute, a top-class turn of finishing pace, the general consensus of opinion is that nothing stands between Nureyev and victory over the Rowley Mile. There was certainly not a trainer I spoke to at Newbury on Saturday who feels that his intended representative in the 2,000 Guineas will trouble the flying French colt.

Final Straw, who, it was felt, would be in need of the run in the Clerical and Medical Greenham, won the race in his usual dogged style. Appearing likely to be swamped by Monteverdi approaching the distance, the Thatch colt pulled out that little bit extra which has characterised his efforts, and it quickly became apparent that nothing was to prevent him from winning another group race. Although he has yet to show the spark of brilliance normally associated with a 2,000 Guineas winner, no one can take anything away from him on the score of determination.

Both Known Fact's rider, Willie Carson, and Pat Eddery, who partnered Posse, feel that their respective mounts in the Greenham will turn the tables on Final Straw next month. In view of the Newmarket colt's extraordinary relish for a fight, I somehow doubt their predictions.

While Final Straw was boosting his earnings to well over over £60,000, Saint Jonathan was doing all that was asked of him at Thirsk. But his victory told us little, for Sonnelgold was never going well.

Although Saison beat only extremely backward fillies, who had never run, in her maiden race at Newbury, such was the manner of her victory that I anticipate Joe Mercer opting for her in preference to Evita in the 1,000 Guineas.

BRIGHTON

1.45—Red Russet**
2.15—Body Blow*
2.45—Tahitian King
3.15—Dragonara Lady
3.45—Prince Nonoalco***
4.15—Habito

TV Radio

BBC 1

† Indicates programme in black and white

6.40-7.55 am Open University (Ultra high frequency only). 10.15 For Schools, Colleges. 11.25 You and Me. 12.45 pm News. 1.00 Pebble Mill at One. 1.45 Over the Moon. 2.01 For Schools, Colleges. 3.15 Songs of Praise. 3.53 Regional News for England (except London). 3.55 Play School (as BBC-2 11.00 am). 4.20 Cheggers Plays Pop. 4.40 Godzilla. 5.00 John Craven's Newsround. 5.05 Blue Peter. 5.35 Captain Pugwash.

5.40 News.
5.55 Nationwide (London and South Eats only).
6.20 Nationwide.
6.55 Ask the Family.
7.20 The Dukes of Hazzard.
8.10 Panorama.
9.00 News.
9.25 The Monday Film: "The Offence." starring Sean Connery and Trevor Howard.
11.15 Realidades de Espana.
11.40 Regional News.

All Regions as BBC-1 except as follows:—

Cymru / Wales—1.45-2.00 pm Pila Pala. 2.18-2.38 For Schools. 5.55-6.20 Wales Today. 6.55-7.20 Heddiw. 11.40 News and Weather for Wales.

Scotland—12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 11.40 News and Weather for Scotland.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.40 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leds, Newcastle); Look North-west (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
11.00 Play School.
4.50 pm Open University.
6.55 The Craft of the Weaver.
7.20 Mid-Evening News including sub-titles.
7.30 Cantilena.
8.00 Bird Spot.
8.10 The Waltons.
9.00 Not the Nine O'Clock News.
9.25 "Daisy," by Justin Cartwright.
10.00 Snooker: Embassy World Professional Snooker Championship.
10.45 Newsnight.
11.30 Russian — Language and People.
11.55 Closedown reading.

LONDON

9.30 am Schools Programmes. 12.00 We'll Tell You a Story. 12.10 pm Rainbow. 12.30 One Step Ahead. 1.00 News plus FT Index. 1.30 About Britain. 2.00 Against the Wind. 2.30 Monday Matinee: "Dangerous When Wet," starring Esther Williams, Fernando Lamas. 4.15 Clapperboard. 4.45 Enid Blyton's Famous Five. 5.15 Money-Go-Round.

5.45 News.
6.00 Thames News.
6.35 Crossroads.
7.00 Lingalongamax.
7.30 Coronation Stret.
8.00 Young At Heart.
8.30 World in Action.
9.00 Fox.
10.00 News.
10.30 Monday Film: "In Old San Francisco."
12.15 am Close: Personal choice with Dorothy Tutin.

All IBA Regions as London except at the following times:

ANGLIA

1.25 pm Anglia News. 2.00 Money-Go-Round. 2.30 Monday Film Matinee: "River of Mystery." 5.15 University Challenge. 6.00 About Anglia. 6.30 Survival. 11.00 Monday Late Film: "The Invisible Ray." 12.30 am Reflection.

ATV

1.20 pm ATV Newsdesk. 2.00 Money-Go-Round. 2.30 The Monday Matinee: "San Francisco International Airport." 5.15 A Sharpe Intake of Breath. 6.00 ATV Today. 10.30 Left, Right and Centre. 11.00 ATV Newsdesk. 11.05 Luke's Kingdom. 12.05 am Something Different.

BORDER

1.20 pm Border News. 2.00 Money-Go-Round. 5.15 University Challenge. 6.00 Lookaround Monday. 6.15 About The Garden. 10.30 Monday Movietime: "Ash Wednesday." 12.15 am Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime news. What's on Where and weather. 2.00 Money-Go-Round. 2.30 The Monday Matinee: "Breakout." 4.12 Puffin's Birthday Greetings. 5.15 University Challenge. 6.00 Channel News. 6.10 World Master. 10.28 Channel Late News. 10.35 The Television Programme: Taboos. 11.05 Luke's Kingdom. 12.00 News and weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 2.00 Money-Go-Round. 2.30 Monday Matinee "Sebastian" starring Dirk Bogarde. 5.15 University Challenge. 6.00 North Tonight and area weather forecast. 6.30 Out of Town. 10.30 Reflections. 10.35 The Monday Movie. "Triple Echo." 12.15 am North Headlines

GRANADA

1.20 pm Granada Reports. 2.00 Money-Go-Round. 2.30 Monday Matinee: Gregory Peck in "The Million Pound Note." 5.15 Bonkers. 6.00 Granada Reports. 6.30 This Is Your Right. 10.30 Reports Politics. 11.00 The Late Film: "Chubasco."

HTV

1.20 pm Report West Headlines. 2.00 Here Today. 2.30 Monday Matinee: "Death Be Not Proud." 5.15 Sam. 6.00 Report West. 10.35 Soap. 11.05 The Monday Film: "The War Between The Tates."

HTV Cymru/Wales—As HTV West/HTV General Service except: 10.05-10.20 abs. 12.00-12.10 pm Trafetiau. 1.20 Penawdau Newyddion y Dydd. 1.25-1.30 Report Wales Headlines. 2.00-2.30 Hamdden. 4.45-5.15 Sar. 6.00 Y Dydd. 6.25-7.00 Report Wales. 8.30-9.00 Yr Wythnos.

SCOTTISH

1.20 pm News Headlines and road and weather report. 2.00 Money-Go-Round. 2.30 Monday Matinee: "3.10 To Yuma." 5.15 Little Vic. 6.00 Scotland Today. 6.45 Crimedesk. 10.30 Afloat. 11.00 Maude. 11.30 Late Call. 11.35 Have Girls Will Travel.

SOUTHERN

1.20 pm Southern News and weather. 2.00 Money-Go-Round. 2.30 "Ginger in the Morning." 5.15 You're Only Young Twice. 6.00 Day by Day including Southsport. 10.30 Southern News Extra. 10.35 Music in Camera: Dvorak's Cello Concerto. 11.20 Kaz.

TYNE TEES

9.20 am The Good Word followed by North East News. 1.20 pm North East News and Lookaround. 2.00 Money-Go-Round. 2.30 Monday Matinee. 5.15 Mork and Mindy. 6.00 North-East News. 6.02 Play It Again. 6.25 Northern Life. 10.30 Northern Report. 11.00 North East News. 11.05 Monday Movie: "Trilogy of Terror." 12.30 am Epilogue.

ULSTER

1.20 pm Lunchtime. 2.00 Against the Wind. 4.13 Ulster News Headlines. 6.00 Good Evening Ulster. 10.29 Ulster Weather. 10.30 Into The Eighties. "The Family Under Threat." 11.00 The Odd Couple. 11.30 Gardening Today. 12.00 Bedtime.

WESTWARD

1.20 pm Westward News Headlines. 2.00 Money-Go-Round. 2.30 The Monday Matinee. "Breakout." 4.12 Gus Honeybun's Birthdays. 5.15 University Challenge. 6.00 Westward Diary. 10.32 Westward Late News. 10.36 The Television Programme: Taboos. 11.05 Luke's Kingdom. 12.00 Faith for Life. 12.05 am West Country weather and shipping forecast.

YORKSHIRE

1.20 pm Calendar News. 2.00 Money-Go-Round. 2.30 Monday Matinee: "The Purple Plain." 5.15 University Challenge. 6.00 Calendar (Emley Moor and Belmont editions). 6.35 Chips. 10.30 Calendar Carousel. 11.00 Kate Loves a Mystery. 12.00 George Hamilton IV.

Radio Wavelengths

1	1053kHz/285m, 1089kHz/275m	3	1215kHz/247m & 90-92.5vhf stereo	BBC Radio London: 1458kHz, 206m & 94.9vhf
2	693kHz/433m, 909kHz/330m & 88-91vhf stereo	4	200kHz/1500m & 92-95vhf	Capital Radio: 1548kHz 194m & 95.8vhf
				London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(S) Stereophonic broadcast
‡Medium Wave

5.00 am As Radio 2. 7.00 Steve Wright. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Andy Peebles. 4.31 Kid Jensen. 7.00 Stayin' Alive. 8.00 Jaye Cooper. 9.50 Newsbeat. 10.00 John Peel (S). 12.00-5.00 am As Radio 2.

RADIO 2

5.00 am News Summary. 5.03 Ray Moore (s) including 6.15 Pause for Thought. 7.32 Terry Wogan (s) including 8.27 Racing Bulletin. 8.45 Pause for Thought and 9.03 Favourite Five Singles. 10.03 Jimmy Young (s). 12.03 David Hamilton (s). 2.03 Ed Stewart's Request Show (s). 4.03 Much More Music (s). 5.00 News. 5.05 Waggoners' Walk. 5.20 Much More Music (s). 6.03 John Dunn (s). 8.02 Folk on 2 (s). 9.02 Humphrey Lyttelton with the Best of Jazz on records (s). 9.55 Sports Desk. 10.02 The Monday Movie Quiz. 10.30 Star Sound. 11.02 Brian Matthew with Round Midnight, including 12.00 News. 2.02-5.00 am You and the Night and the Music (s)

RADIO 3

†6.55 am Weather. 7.00 News. 7.05 Overture (s). 8.00 News. 8.05 Morning Concert (s). 9.00 News. 9.05 This week's composer: Arnold Bax (s). 10.00 Guarneri String Quartet (s). 11.10 Berg piano recital (s). 11.25 Midday Concert, part 1 (s). 12.00 Interval reading. 12.05 pm Concert, part 2. 1.00 News. 1.05 BBC Lunchtime Concert (s). 2.00 Matinee Musicale (s). 3.00 Music for Guitar (s). 3.30 New Records (s). 4.55 News. 5.00 Mainly for Pleasure (s) († and mono only from 6.20). 7.00 Nielsen chamber music (s). 7.30 Mozart and Shostakovich concert, part 1 (s). 8.05 Virgil's Eclogues. 8.20 Concert, part 2: Shostakovich (s). 9.30 Abandoning Equality: Reflections by Professors A. H. Halsey, Ralf Dahrendorf. 10.10 Truly for Baritone (s). 10.50 The Arabic 'Ud (Lute recital) 11.25 Jazz in Britain (s). 11.55-12.00 News.

VHF only)—6.00-7.00 am and 6.20-7.00 pm Open University.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping Forecast. 6.30 Today including: 6.45 Prayer for the Day. 7.00, 8.00 Today's News, 7.30 8.30 News Headlines. 7.45 Thought for the Day. 8.35 The Week On 4. 8.45 Miles Kington with the BBC Sound Archives. 9.00 News. 9.05 Start the Week with Richard Baker. 9.55 Gardeners' Sunday. 10.00 News. 10.05 Money Box. 10.30 Daily Service. 10.45 Story Time. 11.00 News. 11.05 Strangers on the Shore. 11.50 Poetry Please! 12.00 News. 12.02 pm You and Yours. 12.27 Brain of Britain 1980 (S). 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Listen With Mother. 3.15 Afternoon Theatre (S). 4.45 Short Story. 5.00 PM: News magazine. 5.50 Shipping Forecast. 5.55 Weather; programme news. 6.00 News. 6.30 The 27-Year Itch (S). 7.00 News. 7.05 The Archers. 7.20 Science Now. 7.45 The Monday Dreams. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Conversation Piece. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Telephone Programme. 1.03 pm London Live. 3.03 John Toopood's Showcase. 4.30 London News Desk. 5.35 Look, Stop, Listen. 7.03 Black Londoners. 8.00 Question Time from the House of Commons. 9.00-5.00 am Join Radio 2.

London Broadcasting

6.00 am AM with Bob Holness and Douglas Cameron. 10.00 Brian Hayes. 12.00 LBC Reports. 8.00 pm Exporting from Britain: Are We Flogging a Dead Horse? 9.00 Nightline. 12.00-1.00 am Night Extra. 5.00 Morning Music.

Capital Radio

6.00 Graham Dene's Breakfast (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 1.00 pm London Today First Report (S). 1.10 Dave Cash (continued). 3.00 Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Alan ("Fluff") Freeman (S). 11.00 Tony Myatt's Late Show (S). 2.00 am Peter Young's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 4,255

ACROSS

1 Fisher's successor in shipping forecast (6,5)
7 Bread for the horse (3)
9 Incumbent on 5 to have one vehicle (5)
10 Run wild rent to sailor abroad (4,5)
11 Elected because engineers may be dishonest (9)
12 West-end ceremony lacking novelty (5)
13 Relative has article needing a wash (7)
15 Clever to return to isle of exile (4)
18 Post brings Spithead close (4)
20 Note to get about in place of small opening (7)
23 A right to line up missile (5)
24 Two periods that could interrupt a sentence (4-5)
26 Drive going straight down of course (4,2,3)
27 The French take on for each outcast (5)
28 Doctor youth leader finds boring (3)
29 Protective net gunman has to raise (6,5)

DOWN

1 Stop trying to offer one ram (4,2,2)
2 Multitude plunder walker's burden (8)
3 Rescue organisation by the way has no right to upset patriach (5)
4 Connecting flutter by tiny Pole (7)
5 Pleased to see welcoming look (4,3)
6 Easy to manage farm vehicle turns up on board (9)
7 Caught invitation to jump on board from composer (6)
8 Spread by goat (6)
14 Plant that Swedes lie about (9)
16 Swift traveller visited this land (8)
17 Writer takes one quarter of inexpensive amount (8)
19 Fly produce quickly (4,3)
20 Criticism of commander winning military medal with ten ingredients (7)
21 Graduate took off when struck (6)
22 It goes up when it comes down (6)
25 Complaint to officer in charge (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

THE ARTS

British cinema: a new decade

by NIGEL ANDREWS

With a window and Soho Square behind him, and sandwiches and tea for two in front of him, BFPA president Kenneth Maidment was telling me of the latest condition of that ever-ailing, ever-plucky patient the British film industry. With 1980 marking the start of a crucial decade for British cinema and for the BFPA itself—the British Film Producers Association—that body's long-serving chief is performing some of the most difficult juggling acts in the whole of Wardour Street and its environs.

As *chief co-ordinators of new* movie projects in Britain, Maidment and the BFPA are the native industry's corporate Mr. Fixit: empowered to mediate between investors and producers, producers and em- *frictions* crop up—employees and employees.

Maidment's awesome brief is not only to keep all sides of the industry happy and busy, but to find the middle way between promoting British self-sufficienty and encouraging the continuing American investment in British studios. (Over recsent months the said studios have played host to *Superman 2*, *Star Wars* 2 and *Flash Gordon*).

In recent developments on the home front, there is some very good news and some distressingly bad. The bad is that inflation is rapidly wrecking the benefits of steadying audience-levels and modest ticket increases, leaving burnt-fingered British investors wondering just how wise it is to plough money into celluloid. The good news is that the Inland Revenue men have come, partly, to the *British cinema's rescue by* offering greater tax incentives.

"The industry," explains Maidment, between sage mouthfuls of sandwich, "has the new tax regime of capital allowances. In simple terms, that allows a producer to write off the costs of his pictures in the year in which they are incurred. Before it would have taken three or four years. This was done with a wink and a nod to the Treasury solicitor that films should be seen as capital expenditure. So now they're treated like plantor machinery. We've been campaigning for this since 1977."

Maidment strenuously denies any imputation thatt he British cinema is, has been or will be the Cinderella of European movie industries.

"We've been turning out about 40 to 50 films a year. Well, Italy used to turn out about 250, France 200. But in that total, if you look at all the *worthwhile* films, the picture's a bit different. France, for instance, has a high quota of films made for pornographic houses. From my contacts with foreign producers, I can say *we've* certainly *not* fallen behind. Having a common language with America has helped us keep up. And a film like *Superman*, of course, is worth ten pictures in terms of budget."

Superman a British film?

"Yes, under the terms of the Cinematograph Films Act, it is technically a British film. A film made by a company registered in the UK with *a majority* of directors who are British."

Nonetheless, the creative brains and the creative impetus behind *Superman*, few would argue, are Transatlantic. Like other big-cost movies made in *British studios but with* a strong American involvement—*Alien*, for example—*Superman* represents part of that awsesome bulk of overseas-interest productions which if they ever pulled out of Pinewood, Elstree and Shepperton, would leave British studios virtually stranded.

"There's no chance," admits Maidment, "that the British cinema could survive as a self-sufficient industry if those films moved away. It's the limitations of finance, the unavailability of finance. We have three big companies—Grade, Rank to a lesser extent, and EMI. But the problem is we have a small market. So we have to know what sort of films people want to see *in* America. It's very important that our creative people *go* to the States, find out what it's like there, what the tastes are."

The trouble is, I said, they tended to stay there.

"*Well, sometimes they do*, yes. But we also have Americans coming here. It's vital to have this cross-fertilisation. If our industry is to have any importance at all, we cannot do without the American market. The number of pictures that can recoup their money in this country is practically nil. And with inflation, box-office takes cannot keep up with costs. Costs go up 20 per cent, the cash coming *back no more than 10 per cent*."

Further cries of woe are descending on the movie industry in 1980—not only in Britain but America—now that video tapes and discs are looming just around the corner and going *out* to see movies may become an endangered habit.

"Yes, but I think," says Maidment, "that a trend is developing for selected pictures for certain audiences. Triple and quadruple cinemas have opened up the possibilities for this. A film like *Cage aux Folles* can play at one screen in a cinema complex and that way it can find its place. But at the BFPA we've also recognised that *making* pictures *just* for the cinema is no longer always possible. The TV sale and the TV link-up are becoming more and more part of our thinking, and TV producers and directors a more and more prominent part of our membership."

The British cinema's future is more delicately poised in 1980 than at any other time in its postwar history. The recent upsurge of outstanding home-grown directors—Ridley Scott, Alan Parker, Franc Roddam, Derek Jarman—suggests it's not shortage of talent that is vitiating native enterprise but an inability to capitalise on that talent. Scott, Parker and Roddam *are all now working* either in America or *for* American companies.

A knock on Maidment's door ushered in Bernard Coote, formerly London-based Head of Production with United Artists, *now* working *for* the newly formed, British-based production company Allied Stars. As if to illustrate the dichotomies emerging from my conversation with Maidment, he was bearing good tidings in one *hand, bad in the other*.

The good news was that Coote had—"just been to Hollywood where we've sold to Paramount our first British-made film *Breaking Glass*. And we've just bought for a million dollars the movie rights to Stephen King's new novel."

(King wrote the supernatural best-sellers *Carrie* and *The Shining*, the second of which has just been filmed by Stanley *Kubrick*.)

The bad news was that, unlike Kubrick who shot practically the whole of his movie at Elstree Studios, Coote and Allied Stars were "going to film it in America."

The gravitational pull of the U.S. has had a long and unerring habit of luring British success away from Britain, making that commodity seem almost as counterproductive as *failure*. But at least there have been signs in recent years that it's becoming a two-way process. "We attract Sci-Fi films to Britain," Maidment rightly comments, "because our technicians and designers are among *the best in the world*." If our native industry can reinforce *her technical* contribution to world movie-making with a greater participation at creative level, the 1980s may yet be a turning-point decade for British cinema.

John Treleaven and Ava June

Coliseum

Tosca

The revival of Puccini's Tosca at the English National Opera *is a mild affair*. It is neither inaccurate, insensitive, nor clumsy—but one *may* wonder whether a mild *Tosca* is anything much at all. Next to nothing of the requisite vocal temperament is on offer; since *almost* the whole virtue of *Tosca* lies in what it gives its dramatic singers to get their teeth into, what survives makes thin fare. Perhaps it will not disappoint impressionable newcomers to the opera.

Howard Williams nurtures the orchestral part sensibly and to some effect, though when his principals exercised legitimate expressive licence on Friday he was only approximately with *them*. *The smaller roles were* energetically taken. There was no lack of energy in Geoffrey Chard's bantam Scarpia, but a great want of menace; in bottle-green he cuts a stock melodramatic figure, and his timbre has the wrong weight for the *Te deum scena*. Ava June is *a gentle, decorous* Tosca who can make little of the impassioned Latin flouncing which is all the first act offers her, and later delivers the whitest "Vissi d'arte" I have ever heard, almost as if the music were its own justification. In the second act she suggests a village schoolmistress in *danger of being* ravished by Jiminy Cricket.

John Treleaven carefully incorporates some Italian vocal guestures into his Cavaradossi, but his own sturdy tenor has *little Italianate sheen or ring*. He makes a staid revolutionary artist; his arias are deliberately shaped and never sound as if they were powered by real emotional pressure. The translation does not help, faithfully copying as it does the language of bad historical drama—it would take far bolder actors to deliver it with the conviction essential to the lurid action. Without that, *Tosca* does seem *an unedifying shell*.

DAVID MURRAY

BBC 2

Manon Lescaut by MAX LOPPERT

The television relay (simultaneously broadcast on Radio 3) of Puccini's *Manon Lescaut* on Saturday was the first from the Metropolitan, New York. It was also one of the best. A large, handsome production by Gian Carlo Menotti, strong in essentials and elaborately but not excessively detailed, was transmitted to the small screen in such a way that both the essentials and the detail were preserved. The viewer's eye was never drawn sufficiently far back to permit the complete survey Desmond Heeley's opulently picturesque sets seemed to require, and that was a pity; but equally, it was not forced, by camerawork *insensitive* to the music, to attend to events other than those to which the ear would direct it. (Perhaps, during the Madrigal, too much interest was shown in Manon's bored capers, and not enough in the consort of singers; Puccini's rococo pastiche is very pretty, and merits, from the audience at least, a moment of recognition.)

In this country the opera has never properly received its due. When conducted with James Levine's fire and theatrical acumen, it can sound the least calculating of all Puccini's mature works, the most spontaneous in melodic invention. Dramaticallyl, *Manon Lescaut* is neither well balanced nor comfortably proportioned; it lacks continuity. In these matters, the superiority of Massenet's Prevost opera is quickly demonstrated. But at the core of Puccini's hero and heroine is to be found (in Wilfrid Mellers' phrase) a "melancholy obsession that flows into lyricism:" and because that lyricism—notably in the love duet of the s econd act and Des Grieux' dockside pleas of the third—is both so abundan tand so boldly accommodated to the dramatic moment, it becomes easy to understan dwhy the opera has always inspired in its performers a s pecial affection. (Testimonies o f affection, from leading players and conductor, were th sole interesting feature of an otherwise feeble sequence by the Met's Francis Robinson.)

More than most operas, *Manon Lescaut* depends for its success on the calibre of those leading players. Here, they were first rate. Even if closeups unchivalrously revealed that Renata Scotto and Placido Domingo are no longer the age of Prevost's heroine and hero, the camera responded warmly to both faces. It discovered in Scotto a Giulietta Masina-like waif, piquant and poignant—teenage coquette, bored voluptuary, and dying fugitive were all achieved with uncommon wit and pathos. It explored to the full the tender, courteous ments, the generosity of his emotional commitment. Through the loudspeakers we could hear that portions of Manon's line lie very heavily upon Scotto's soprano—there were squalls as delicately coloured phrases—and that an edge was apt to enter the tenor's more strenuous utterances (the effect was by no means unmoving).

Around these two eloquent singing actors the Met had arrayed a strong supporting cast. Renato Capecchi's Geronte (the name thrice mispronounced by Humphrey Burton) was masterly, Pablo Elvira's Lescaut quick-witted (the voice itself of rather plain quality), Phillip Creech's Edmondo fresh and charming. Both as opera and as television the presentation was careful: eyes were not seen to stray in the conductor's direction, and the voice of the prompter was no more than faintly and infrequently to be heard. Only the Met audience, noisily applauding each change of scene and drowning each curtain fall, proved true to the reputation of the house.

Greenwich

Next Time I'll Sing to You

by B. A. YOUNG

This was the first play I ever reviewed for the Financial Times, in January 1963. A second view adds little to it, for in spite of an apparent complexity caused by the wilful introduction of irrelevant matter of one kind or another, it is really quite a simple play.

James Saunders wrote it after reading Raleigh Trevelyan's *A Hermit Disclosed*, a book about the life of an Essex recluse woh had lived for half his long life barricaded in a hut where he saw no one but his brother, who brought him his food. Saunders proposes an actor, Rudge, who is to direct a play ("to most of us now," the author says, "a play by Euripides or Aristophanes seems more 'real' than the politics of ancient Greece") to investigate why such a creature should have existed; or, in this actor's own words, "to understand the purpose of existence of one man."

He never does understand it, or I don't think so, but he circles around the problem trying different approaches. His company (whose acting in these far from easy parts is excellent) consists of four players and himself. Meff (Michael Melia) is a comic. Dust (Malcolm Mudie) is a philosopher. Lizzie (Judy Geeson) is a nice, simple, easily-made girl. The fourth player (Colin Bruce) plays the *Hermit*.

Can jokes help provide an explanation? Meff gets some show-off comic bits. Later he allows Lizzie to seduce him: can it have been a sexual problem? (We know that the Hermit had a distant passion for a teenage village girl). Was excessive introspection responsible, or religion? No one actually applies any theory to thespecific case except the Hermit, who as the evening goes on comes more and more *to* believe that he is the character he is playing, indeed becomes him, replacing his false beard mysteriously with a real one, finding the Hermit's diary in his coat, where it has *no right to be*.

There is much to think about in the play, a good deal of entertainment too, but it's not attractive theatre for the average man. Toby Robertson, the director, has given it as much visual appeal as he can contrive, starting with a vast eyeball swinging like a Foucault pendulum across the stage. And you won't find much better acting anywhere in the London area at the moment. Nickolas Grace has the difficult part of Rudge, and Colin Bruce as the Hermit provides the only real passion to be seen.

Elizabeth Hall

Liszt Chamber Orchestra

by RICHARD JOSEPH

It seems that the dearth of suitable names in relation to the proliferation of chamber ensembles, an inescapable feature of London's musical activity, has hit Budapest as well. This accomplished string orchestra takes the name of a composer who wrote nothing exclusively for that medium. Formed in 1963, the Liszt Chamber Orchestra has acquired a reputation as one of the finer European ensembles, and is presently visiting Britain for the first time.

At Friday night's Elizabeth Hall concert the orchestra's best qualities were on display in Mendelssohn's 10th Symphony for strings. Each section had an unusual homogeneity of tone, with every part equally matched. Ensemble was nearly faultless and leader Janos Rolla had encouraged a wide range of bowing and tone production. Overall, the performance had an easy grace that was entirely opt.

Chaikovsky's Serenade was not as well served. Perhaps awareness of the composer's wish that the work be performed by as large a body of strings as possible prompted this 16-strong ensemble to insist on as big and loud a sound as they could produce. Phrases were relentlessly pressed out, resulting in a curiously glassy, *flat sonority which* was rarely alleviated because of the orchestra's disinclination to play softly.

The Bach and Handel works in the first half of the programme took no notice of recent stylistic or musicological developments. But one felt, such is the ensemble's basic excellence, that it would not take much work or imagination to bring its playing of this repertory into more certain focus. An emphasis on shorter phrase articulation, more off-the-string bowing and a greater emphasis on the balance and separation of lines shouldn't be hard to achieve. Some of these qualities naturally emerged in the orchestra's contribution to Bach's D minor Harpsichord *Concerto*, played by pianist Andras Schiff with a dexterity and enthusiasm that neither circumscribed the potential of his instrument nor damaged the music's content.

Elizabeth Hall

Rafael Orozco

Yesterday afternoon's Elizabeth Hall recital was the second that Rafael Orozco has given *there in the past five months* and the ambiguity that his playing suggests is no nearer solution. There is no doubt of the soundness of his technique, nor of the intelligence of his thinking, but the impression he leaves is now faceless: he cannot be neatly pigeon-holed.

Categorising artists is a dangerous thing—the geniuses defy clasification always—but putting a name to their style and approach can be a start in evaluating the success or failure of heir endeavours. The problem with much of Mr. Orozco's playing is that he does not immediately convey the intention behind it: was yesterday's Appassionata Sonata a study in the minutiae of Beethoven's keyboard style, as some carefully studied passages suggested, or was it conceived in dramatic terms, in bold sweeps, as the end of the first-movement recapitulation and coda hinted? Bore likely was some hybrid between the two, with oddly angular renderings of some figures substituting temporary excitement for long-range control of tension, and sudden savage fortissimos in *place of more considered dyna*mic planning.

That he also has the fingers for Liszt's B minor Sonata no one could have doubted, but there once again priorities were muddled. Given a high-pressure performance the empty rhetoric of the opening could have been forgiven, but the fugue was tepidly approached and the recapitulation consequently under-prepared. Yet the *Andante sostenuto interlude had* previously been limpidly sung and most graciously projected. Such carefully completed phrasing came as something of a surprise after the Brahms Waltzes Op. 39 which began his programme, where half-formed ideas trailed off into inconsequence and only purely technical difficulties were entirely overcome. Rare moments suggested an effortless command; Mr. Orozco seems at present unsure of his direction, but there remains the promise of much treasurable, provocative playing.

ANDREW CLEMENTS

Festival Hall/Radio 3

Mahler 10 by ANDREW CLEMENTS

Among his many and varied talents, Simon Rattle's gift for conducting Mahler has emerged gradually. Two years ago in the Festival Hall he gave a performance of *Das Lied von der Erde* with the Philharmonia Orchestra memorable for its confident directness and crystalline shaping, but rather neglected at the time because the same concert had included the first performance of Maxwell Davies's symphony. Since then the Mahler symphonies have appeared regularly in his programmes and the consistency of his approach, whose starting point is the modernist implica*tions of the* final works, has become clear.

Given that perspective, the 10th symphony is likely to bulk large in Rattle's view of the composer. *On Friday evening* he conducted the Philharmonia in the "full-length performing version" of the 10th that Deryck Cooke published shortly before his death in 1976. It formed the second part of a substantial concert in which Ida Haendel was also the soloist in Brahms's violin concerto, an outward-going, bright performance, freshly lyrical at the outset but becoming occasionally squally as the work progressed, with some moments of uncertainty from the Philharmonia's wind.

Cooke's second thoughts on the scoring of the tenth symphony (his original edition used triple woodwind, the final version bolstered it to four of each) do go a considerable way to equating wind and string sonority in the later movements, though there remain some passages that seem unusually *bald*. There *are* other moments also when one could disagree with Cooke's instrumentation—a solo flute doubles an extended *violin melody* in the last section of the finale, for instance, and the effect seems unnecessarily lush—but the total effect, particularly in such a convincing interpretation, is authentic Mahler. Rattle's view of the symphony left no doubt as to the emotional weight carried by the outer movements; the first movement drawn in long, lean lines, its crushing climax swiftly, devastatingly produced, the finale a comprehensive summary of all that precedes it.

Such a performance of the last movement, beautifully pased and integrated by Rattle, makes a case for its being the most satisfying of all Mahler's symphonic finales. It does not offer any easy salvation as those of the second, third and fifth symphonies do, and it does not attempt a radical intensification or re-orientation of the preceding music. In the tenth the finale works as a massive recapitulation, in which the material of the rest of the symphony is shown in its true significance. The import of the rest is obscure without it and Cooke's (and Rattle's) achivement in allowing su such a complete assessment of it is invaluable.

TENNIS JOHN BARRETT

Shortcomings of the home game

A VISIT to Copenhagen *last* weekend on a coaching mission with Mark Cox and Ann Jones underlined forcibly some of the home game's shortcomings.

It was one of the regular clinic trips organised in Britain and elsewhere by the BP International Tennis Fellowship. We were guests of Akedemik Boldklub, one of several Danish clubs where there has been a marriage between the local authority and private enterprise.

The 2,100 members have superb facilities for football (900 playing members), tennis (700 members) bandball (300 members), and cricket (200 members).

The spacious three-court indoor hall is used for all four sports and, on our visit, the three self-contained tennis courts provided a wonderful workshop for some of Denmark's best young players.

They had been selected by AB and the Danish Tennis Association. With them were six of the country's leading coaches, each attached to clubs *with similar indoor facilities*.

The land was provided by the local authority, which contributes a substantial sum annually to the club's running costs. It operates as a private *club, with one member of the* local authority on the committee. It is a sensible and admirable arrangement. The annual membership fee can be kept down to £50 for adults and there are graded reductions for *family membership, depending* on the number of children.

Further finance for similar clubs is raised by associating them with a leading commercial organisation. In AB's case, it is the BP company in Denmark, whose employees enjoy the club's facilities at special rates.

This small countrty, with a population of about 5m, has some 40 clubs with idoor facilities, representing about 70 tennis court. It is small wonder that, having solved the problem of facilities, they are producing juniors of real quality.

We saw a group of 18 boys and girls aged 12 to 18 who performed to a much higher *standard* than *the equivalent* age group in Britain. Where play and coaching and training can be planned throughout the winter, talent will inevitably flower.

In Britain, those facilities are not there. The few indoor courts are miserably uncomfortable to play on during winter because they are not heated.

Now the British outdoor season has begun, with the finals on Saturday of the Debenhams Cumberland tournament in Hampstead, the British players will commence their annual catching-up race.

It is encouraging at least that at Cumberland two of our best young players, Rohun Beven and Joanna Durie, should have prevailed on fast courts which suit their games. The national team manager, Paul Hutchins, will be looking keenly at all candidates for Davis Cup and Wightman Cup duty later in the year.

The outdoor turnament season is not without its problems. *The Pernod Satellite circut has* introduced two new tournaments, but three traditional ones—at the Paddington, Sutton and Guildford clubs—have dropped out of the calandar.

It is all part of the changing pattern of competitive opportunity. In the past, the game flourished at the amateur level, with large and popular tournaments throughout the country.

Lately, teh concentration has been on professional events with smaller fields, denying a whole generation of club players the opportunity of open tournament play.

Ann Jones for instance, said that in her developing years she played the Midland tournament at Edgebaston, Moseley, Tally Ho! (all Birmingham) and others at Malvern and Cheltenham. They have all *disappeared*.

The future health of British tennis depends on constructing better playing facilities and a full share of these must be comfortable, warm and pleasant indoor centres.

With such facilities, good professionals would have the opportunity to make a decent living as teachers, and competitive events would be possible at all levels—amateur, in senior and *junior sections, smaller* professional events and mainstream professional tournaments.

With the recent lesson from Denmark and plentiful *examples throughout* the rest of Europe and America, the Lawn Tennis Association should embark on a serious campaign to encourage existing clubs to redevelop and new ones to come into existence, preferably with local authority support. In one or two instances, local authorities are aware at last of the need to create such new leisure facilities.

RUGBY BY PETER ROBBINS

Changes planned for next final

THE LARGE crowd at Twickenham for the John Player Cup Final between Leicester and London Irish was ample testimony to the important place that the competition occupies in the rugby *calendar*.

The friendly and colourfully-dressed factions evoked the atmosphere of a French championship final, but mercifully there was no repeat of the business on the field of play that so often spoils the Paris occasion.

The John Player people have spent a lot of time getting the competition into shape and there are further changes next *season when the preliminary* round will be abolished and a further 25 clubs enter the competition proper.

Although the serious anomaly of a club being able to qualify twice has been removed it seems to me that while the competition has served a most useful purpose—and will continue to do so—the authorities still need to examine a league system.

The report of the special sub-committee examining all aspects of competition is still awaited. It is due out shortly and I imagine one of the bases of thought will be that while players should be given the chance to develop their skills this should not be at the expense of amateurism in its widest sense.

Clearly the RFU have to move with the times but equally clearly tradition cannot be swept away willy nilly. There is the difficult task of marrying three competitive systems, the county championship, John Player and a league system. The fundamental danger is still that leading players will face too many calls on their time.

My own impression is that the principle of leagues will be *accepted by the RFU as im*portant to the stability and growth of the game.

Doubtless there will be the same acrimony in deciding who should be in the senior leagues as there was in the decision on the Merit Clubs. The simplest solution will be the formation of two leagues in the north and south with subsidiary leagues on a divisional or area basis.

It will be important that the fringe clubs have the right to challenge the places in the leagues but I repeat that the co-ordination of the competitions needs to be handled sensibly and realistically.

Quite honestly Saturday's final was grossly disappointing. The wind was a hindrance to consistent handling and this affected Leicester far more than the Irish who were under the most severe pressure from the outset.

Leicester's victory by 21—9 was not just achieved on the day itself but follows seasons of preparation and building for the future. It is true that their second row is still not big enough but they have a more than useful mobility.

Wheeler captains the side astutely from hooker and really *the Irish could never fully cope* with the collective surge of this united pack. The ability to shield and smuggle the ball in the mauls was as marked as the awareness of Johnson and Adey to vary the game in conjunction with Kenney.

The luxury of good possession gave Cusworth many options—one of which was to put Leopold, the Irish full-back, under pressure. Time and again the Irishman was forced to turn and chase but in the second half he emerged with great credit with some good catching and brave counter-attacks.

Nevertheless, Leicester were very much below form behind the scrum but in this respect the stern Irish defence played its full part.

The Irish were never the easy meat predicted by some but though their pack is fiery the players lack bulk. Short, the No. 8 had a strong game, O'Driscoll, in bursts only, showed class in his cover but generally, despite a unity of intent, rarely was it there in execution.

Murphy and Condon suffered from the scrappiness of the forward possession but Murphy did contrive one absolutely sizzling *break late in the game*.

Again it was very scantily supported. O'Donnell at centre and Condon at fly-half both made valiant efforts to break the deadlock. However, their individual efforts only summarised the overall defects of a willing but limited team.

Individuals may well win games but they need a spread of talent around them. The Irish lacked nothing whatsoever in *defence but so eager were they* that they conceded far too many penalties and that was utterly fatal with Hare in such good kicking form.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871, 883897
Telephone: 01-248 8000

Monday April 21 1980

Next steps for BL Cars

BL CARS has no chance of becoming viable until it develops an industrial relations system which ensures continuity of production and steady improvements in productivity. This has been a central preoccupation of management over the past three years, and rightly so, not because industrial relations is the company's only, or even most important, problem, but because a solution to it is a necessary condition for survival. Last week's agreement with the unions on pay and productivity, if successfully implemented at plant level, marks an important step forward.

Incentives

A fertile cause of unofficial strikes has been the complexity of the company's payment arrangements. The agreement confirms the unions' acceptance of centralised wage bargaining based on a five-grade structure which will be comon throughout the company. At the same time the management, recognising that the piecework tradition is deeply embedded in the Midlands car factories, has re-introduced an incentive element which could amount to as much as 20-30 per cent of an individual's weekly earnings.

Most important of all, the management appears to have broken through on the issue of "mutuality," whereby the introduction of every new machine or process has traditionally been the subject of individual negotiation with the workers and shop stewards involved. Under the new arrangements it will be possible to make these changes without the prior approval of the shop stewards: any grievances arising from them will be dealt with through the central grievance handling procedures. The effect should be that plant managers will be able to introduce new working methods quickly, use industrial engineers effectively and deploy the workforce flexibly around the factory.

Special deals

Some workers are clearly unhappy about last week's agreement. Over the next few weeks and months there are bound to be bushfires as the changes are implemented; some of them may be serious. Clearing up the pay structure, with all the anomalies and special deals that have been conceded in the past, cannot be done overnight. Moreover, there is another important group of employees, represented by the staff unions, which has still to reach agreement on its own pay and productivity package.

Nevertheless, there is a chance that as the new arrangements settle down BL Cars can move towards the more orderly pattern of labour relations which its main UK rival, Ford, has achieved in recent years. It cannot be taken for granted that the hoped-for productivity gains will actually be achieved: Ford's progress on productivity has been disappointing, which is why so many of its cars sold in the UK are assembled in Spain or Germany. But there is more realism on the shop floor than there was a few years ago about BL's financial and market position. Management, having demonstrated its firmness in dramatic style, now has to implement the new procedures fairly and to re-establish a constructive relationship with union officials and shopfloor representatives. Union leaders have to mend fences with their own members as well as with the BL management.

Profitability

Anyone who works in BL must be aware that under the present Government and perhaps even a Labour successor the prospects of obtaining more taxpayers' money to cope with another financial crisis—over and above the sums already committed—are not good. Last December, Sir Keith Joseph agreed to support the present management's corporate plan by providing during 1980-83 the £225m balance out of the original Ryder £1bn, plus a further £205m to meet the costs of redundancies and closures. The £300m payment for 1980 was authorised last week.

These sums, enormous though they are, still leave BL Cars with a formidable task in raising its own profitability if it is to finance the continuing investment in new models. Collaboration with other companies, especially on major components, may reduce the size of these investments, but a sustained improvement in profitability is vital. With a world recession looming and sterling uncomfortably high, the commercial challenges are as daunting as they have ever been: it is far from certain that the company will emerge from the next few difficult years in anything like its present form. The future shape of BL Cars depends in part on the implementation of last week's agreement and on the determination of management and all employees to make a new start in industrial relations.

The Alliance face a test

EUROPEAN Foreign Ministers will be meeting in Luxembourg today in an atmosphere of uneasy foreboding that the United States and Iran are drifting towards a collision that Europe is powerless to prevent and over which President Carter may also be losing control. Whatever the decisions they take now or in the coming months of high risk diplomacy must be in the context that all parties to the conflict are already close to the edge and that a careless slip could mean a tumble into the unknown.

Support

Most European governments have now decided that they must go along with some form of economic and diplomatic sanctions against Iran though they are still uncertain what measures to take. They are going reluctantly this far in the faint hope that it may lead to the release of the hostages: but more important to demonstrate their commitment to the alliance with the U.S. and in the belief that spurning American appeals now for support would risk increasing the pressure on Mr. Carter to move more precipitately to military action.

But European governments have little faith that sanctions will work—least of all the type of compromise package that is likely to emerge in a trade off amongst EEC members. A significant proportion of Iran's trade remains outside the control of the U.S. or the EEC. The Soviet Union and the East European bloc are bound to attempt to make good shortfalls in imports and inevitably there will be heavy leakages through third world countries—including some of Iran's neighbours.

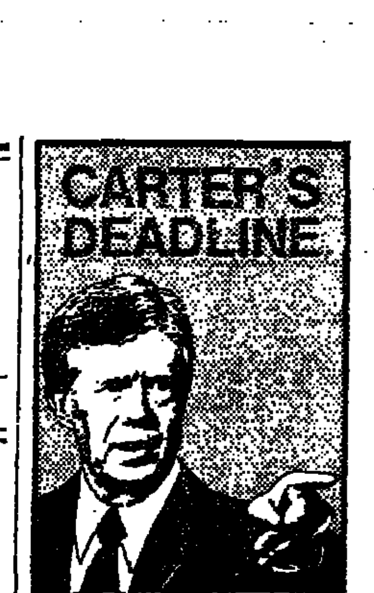
As if doubting himself that sanctions alone will prove adequate to achieve a change of policy in Tehran, President Carter's tone towards Iran over the past week has become increasingly belligerent. Many in Europe fear that the U.S. is moving inexorably towards a naval blockade of Iran, whether through a blockade halting sea traffic or through mining Iran's coast or harbours. The consequences of this could be to bring the West into confrontation with the Moslem states of the region from which it derives its major oil supplies. The Gulf states are alarmed at the possibility of military intervention which carries with it the threat of escalating military rivalry in the region between the superpowers. Military action would also risk pushing Iran towards the Soviet Union and deflect world attention from Russia's heavy-handed invasion of Afghanistan.

There is still no knowing how serious President Carter is in his military threats. He wants to drive home to the Iranians the gravity with which the U.S. views the holding of the hostages and in this needs to talk tough to spell out the dangers of their breach of international law. He is anxious to serve notice to Europe of the limits of American patience and that unless European governments play their part as friends they must carry part of the blame if he is pushed into a further and possibly unwise step. He needs to show American public opinion that he can provide the leadership it wants and will not be faced down in a confrontation with the Iranian mullahs. The trouble is that he needs to speak to these different audiences in different tones and with a different stress. But Presidential utterances do not always permit of such distinctions.

Consultation

The great danger is that in attempting to prove his determination to the American people, the President could be carried into hasty actions in Iran which would draw both the region and his allies into a wider conflagration that nobody wants.

The thrust of European policy in this American Presidential election year must be to reassure the U.S. that it has good friends across the Atlantic. But this does not mean that Europe will follow blindly. At this juncture in the Iran crisis European Governments must make clear to the U.S. that they want prior consultation each time the U.S. is considering whether to up the odds. Without that an open and highly damaging split in the alliance is all too likely.



The tougher line from Washington

BY JUREK MARTIN, U.S. EDITOR

"THEY ASK for understanding, yet they often decline to understand us in return. Some ask for protection, but are wary of the obligations of alliance."

This critique of America's allies, delivered by President Carter ten days ago, is absolutely central to any comprehension of what the U.S. has done, and may yet do, over Iran. Freeing the hostages in Tehran may appear, to foreign eyes, the unique and unfortunate but essentially American problem. But to American eyes—not merely those in a harassed Carter Administration, but across the country, regardless of political stripe—it is now more than ever not only a crisis of American honour but also an indivisible test of the unity of the western alliance and of foreign faith in American leadership.

Although, by turns, President Carter has profited politically from, occasionally tried to exploit and may ultimately be impaled on the hostage sword, American responses over the past five months have not been dictated solely by the fact that this is an election year. Rather they have reflected the determined, if often imperfect and confusing attempts to get to grips with frightening, ever-changing complexities—of the nature of the Islamic revolution in Iran, of geo-political and strategic concerns heightened by the Soviet invasion of neighbouring Afghanistan, of the impact on the economies of the Western world: to try, in sum, to forge a solution to the fate of 53 Americans whose safe release the President is pledged to secure and whose plight is the eternal subject of everyday conversation, without recourse to the ultimate weapon of military force.

This policy of restraint, rejected at every turn by Iran, is now all but over. In the U.S. view, the allies, the advocates of restraint, have no excuse for not appreciating that there were always limits to American tolerance.

Privately senior officials will concede that perhaps communication between Washington and western capitals has not always been perfect: that there were ambiguities, arguably deliberate, in Mr. Carter's European television interview in its reference to deadlines: that perhaps Mr. Warren Christopher, the Deputy Secretary of State, should not have drawn such obvious attention to the European foreign ministerial meeting starting today: that, indeed, prior notification of the increased unilateral American sanctions against Iran invoked in the last two weeks was a little lacking.

But at the same time, publicly and privately, they insist that the allies have, since March 25, been fully aware of what the U.S. would do if the then flickering hopes that President Abol Hassan Bani-Sadr could work something out were frustrated. If any doubt persisted, it was more than dispelled when Mr. Cyrus Vance, the Secretary of State, laid out in precise terms what the U.S. would do and what it expected its friends and allies to do when he briefed foreign ambassadors here on April 9.

The script now runs as follows. The President will determine some time after mid May whether there is evidence that the Iranian authorities are likely to respond to universally applied economic and diplomatic sanctions. The U.S. accepts that its unilateral action will probably have no impact. If its regime is followed by the allies—including the cessation of diplomatic relations with Iran by the middle of next month, and the imposition of trade embargoes as if last January's Security Council resolution, vetoed by the Soviet Union, had had the force of international law—then the U.S. hopes, but knows it cannot be certain, that the weight of such international ostracism will begin to be felt in Tehran. It is simply not prepared any longer to allow the tortuous unfolding of a new Iranian constitution to take its course unimpeded.

If, in a month of so, Mr. Carter discerns no give in Tehran, he will consider the next turn of the screw, the blocking of Iranian oil exports. The U.S. knows some allies will be adversely affected, particularly Japan, which it is prepared to make a special effort to help, but feels that the oil sharing provisions of the International Energy Agency, can, if necessary, be invoked to spread the load without excessive hardship, given the reduced dependence of Europe on Iranian oil and current high level of stockpiles. The U.S. also believes that other allied trade with Iran is hardly of the magnitude these days as to be vital to the economic well-being of the West. If the allies have not complied by mid May, then Mr. Carter has made it clear the U.S. is willing to go it alone.

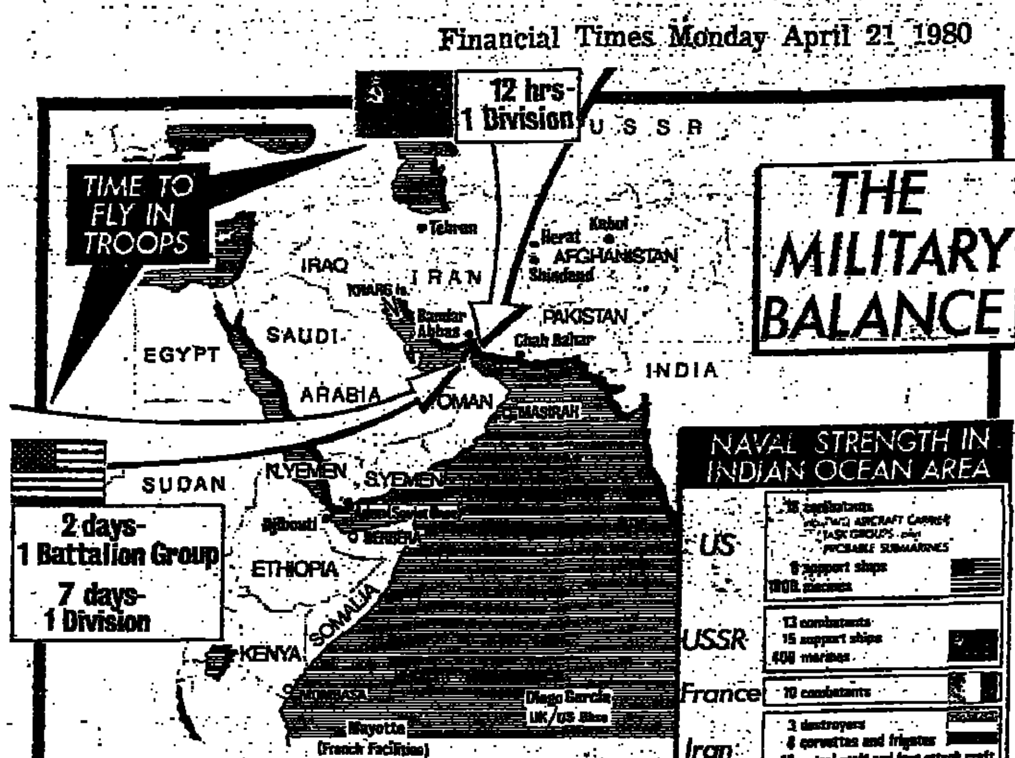
The physical interdiction of Iranian oil supplies constitutes the least severe of the military options open to the U.S., but, like all the others, is no easy proposition. Although there is a natural blanket of secrecy imposed on military contingency plans, it is thought the administration would most likely mine Iranian ports — either by air or submarine — rather than try to impose a naval blockade or quarantine.

The latter is practically hard to enforce; requiring foreign ships to heave to and be questioned is fraught with daily danger. On the other hand mining, though it carries the risk of actual confrontation with Iranian forces, seems more effective since no insurance company would cover any vessel venturing into a minefield. Moreover, it could enable oil tankers to continue to ply the Gulf route other than to Iran, with presumed safety.

Nevertheless, it is possible that the U.S. would first entertain a blockade before laying minefields.

When President Carter first renounced the use of force against Iran last November, it was in recognition of the dangers implicit in such an approach. Today these considerations are as valid as ever. For a start, any strong military action would probably endanger the lives of the hostages; they would likely harden Iranian intransigents; above all, they might even provide a pretext for the Soviet Union to move into Iran under the guise of protecting Iranian security—and this at a time when the Soviet capacity for a sustained military operation in the region is clearly greater than the American.

There is, therefore, no doubt that the U.S. would still prefer not to have to go the military route. It knows, ultimately, that the answer to the fate of the hostages still lies in Tehran, most particularly in the unfathomable mind of Ayatollah Khomeini, whose contempt for America seems to grow daily. But the carrot has been replaced by the stick. As President Carter told his Press conference on Thursday "The authorities in Iran should realise that the availability of peaceful measures, like the patience of the American people is running out."



Forebodings of the western allies

BY DAVID TONGE, DIPLOMATIC CORRESPONDENT

WESTERN EUROPE is preparing to bite the bullet of sanctions against Iran with a mixture of sympathy for the American hostages and foreboding about the measures they are being asked to take. There was never much hope that diplomatic sanctions would lead to the release of the US. hostages. But neither is there much faith that trade sanctions will ensure this end, at least not in the near future.

In January at the United Nations the West backed economic sanctions against Iran, but now many of the countries are doing so less to free the hostages than to discourage the U.S. from further escalating its confrontation with Iran. This factor, as well as the failure of diplomatic moves and the need to show alliance solidarity, weights in West German thinking. France is reported as being extremely unwilling to be left isolated as the only country opposing a trade boycott, but even so, like Italy, has deep reservations about such sanctions.

The meeting in Luxembourg on Monday and Tuesday of EEC Foreign Ministers is expected to prove complex. Most countries, including West Germany, feel deeply for the plight of the hostages and wish to show solidarity with their American allies. But many not only doubt whether U.S. policy will achieve their release but question U.S. priorities. Two particular fears are that Iran could be driven towards the Soviet Union and that the Gulf as a whole could be alienated. Arab officials warn that the Gulf might find it hard to refuse Iranian appeals for Islamic solidarity — and American officials admit that they have no guarantees that the Western Gulf states will not react against them, and can only work on assumptions.

In the 1950s Iranians had to face a boycott by the Western oil companies against Mossadeq. That history may repeat itself already seems to be strengthening Iran's resolve: Ayatollah Khomeini has said that he "welcomes" the inevitable austerity that trade sanctions would cause.

Such sanctions raise both economic and political issues. Looking first at the economic ones, there is the possibility that Iran might stop oil exports.

Such a prospect no longer deeply troubles most Western governments. Iran's oil weapon has become blunted. A mild winter has contributed to a fall in consumption of 8.5 per cent in the main industrialised nations which are members of the International Energy Agency in the first quarter of this year compared with the corresponding period of 1979. Saudi Arabia has kept its production high and production of crude by countries which are not mebers of OPEC is running at around 1m barrels per day more than a year ago. Further, Iran's own production has been falling and now accounts for less than 5 per cent of non-communist oil supplies.

With stocks currently high and the general economic slowdown leading to low forecasts for demand, an oil stoppage by Iran could in general be weathered. Some individual countries would, however, be badly hit, especially Japan, which obtains about 10 per cent of its oil from Iran and would seek suport from the International Energy Agency.

Trade is of rapidly diminishing importance, with exports of Britain, Japan and West Germany to Iran in 1979 only one-third of what they were in 1978. Large-scale turn-key business, once the staple of West German trade with Iran, is now negligible. But both France and Italy fear that joining a trade embargo could cost them major contracts.

Japan also has its anxieties, not least because Iran is the site of the largest single overseas investment project on which it has so far embarked, a $3bn petrochemical complex on the Gulf.

While the Iranians might seek to retaliate through stopping oil supplies and freezing contracts, they might also threaten to move their large reserves abroad. These are estimated at around $15bn. $8bn of these are the object of blocking orders.

Further moves against these assets are unlikely to disturb the other oil exporters, who tend to view Iran as a special case in this field. But were military options to be considered—and there is considerable West European concern about the advisability of such escalation — Western governments need to consider how the states in the region would react.

Anxiety that U.S. military action could precipitate a confrontation of the super powers in the Gulf means that most, if not all, states are generally expected to condemn such action—just as they condemned the Soviet invasion of Afghanistan. They are eager to avoid the creation of any precedent of outside intervention. The belief that Moslem states should stand together in the face of such a threat far outweighs the pleasure that some Gulf states would feel at the humbling of the Ayatollah's "crusading" regime.

But in the end it is the countries most directly affected whose reaction is crucial—particularly when they supply Western Europe with 60 per cent of its total oil needs. Here a recent Chatham House paper* is revealing. "The Saudi monarchy and Gulf Emirs have lost confidence in America's ability to assist them against invasions, coups and revolution after the failure to help the Shah," it says.

It argues that the anti-Western feeling in the region will reinforce rejection of Western-oriented development. It warns that Gulf rulers may find it increasingly in their interest to reach accommodation with the Soviet Union if the West is unable to provide reassurances that it will counter Russian advances. The mere geographic position of the Gulf in relation to the U.S. and the USSR makes it hard for the West to make these assurances convincing. And the policies of the West, in particular of the U.S., in relation to the Palestinians makes it hard for the rulers to align themselves with the West.

Americans point out that outsiders simply do not appreciate how crucial and deep-felt is the resentment in America over the issue of the hostages, particularly in an election year. The Arabs counter that the Americans fail to recognise that their feelings about the Palestinians are equally important to them. In all these circumstances any military move could only be counterproductive. Some defence analysts in London feel that the one reason why the Americans still keep the option open is to deny the Iranians peace of mind. But they warn that the cost of doing this has been to create expectations in Americans which it may be hard to placate.

* *The Gulf in the 1980s*, by Valerie Yorke for the Royal Institute of International Affairs, London.

● Based on reports from Financial Times Correspondents.

MEN AND MATTERS

Doctors order a capital injection

"Twelve months ago the City would have laughed us all the way to the door," says Alan Hird, a director of the West Yorkshire Independent Hospital. "Now we have a merchant bank interested and it may well sponsor a national float." And if that does not come off a local issue will be made instead.

Hird, one o fonly four non-medical men on a board dominated by business-minded doctors, is preparing to launch what he hopes will be Britain's first publicly-quoted private hospital: the Yorkshire Independent Clinic. He readily admits that as recently as three or four months ago the board was "a little despondent" over commercial and public response to the idea. He blames that on lack of understanding and publicity. Now, he says, the changing financial and political climate have brought forward potential backers who a year ago gave him no hope.

The idea came 18 months ago from a band of local consultants who were worried about a fall in the quality and quantity of hospital facilities in the area around Bradford. Now they have 69 consultants and 34 general practitioners on the subscription list, a four-acre green-belt site between Bradford and Bingley, and claim to have some £2m of the £2.8m needed to complete the 45-bed building. Main aim is to have the place finished for opening in mid-1982.

Hird, who came to my readers' attention through his efforts to compile a (necessarily) slim volume on the wit of the accountancy profession, tells me that other attempts to float hospitals failed because of political pressures and lack of belief in them as long-term profit ventures. This has changed, he claims, pointing to shrinking national health facilities and the average 20 per cent increase in new subscriptions reported last year by BUPA and other lending medical insurers.

He is not at all fazed by the crunch now being felt in some of London's swanky private clinics, which have been virtually deserted by wealthy foreign visitors. "We aim for a four-star hotel approach which people will be prepared to pay for." Even though more are taking out medical insurance, 50 per cent of people going privately to hospital are still prepared to pay all the bills from their own pockets. There is, he maintains, ample brass in Yorkshire to keep the clinic busy. "We are not looking for people from the Gulf States, or £250-a-day bills. People here learn very quickly when they are being ripped off."

Short measure

The management of a certain motor car company in Italy was puzzled recently by inexplicable performance differences between identical cars. First it opened a factory to make the model in the south of the country and followed the development with a new plant in the north. Oddly, fuel consumption of the vehicles from the northern works proved tobe much higher than that of cars from the south.

Only after bringing quality control engineers to the verge of nervous collapse did the company uncover the answer on the motorways on which the cars were test driven. Investigations are now continuing into the circumstances which led contractors in the south to build roads to the unusual specification of 900 metres to the kilometre.

Guthrie action

The storm in Assam Trading's tea cup needs no further stiring from me, but I feel it is worth reflecting on some of the cross-winds blowing through and round the boardroom.

Assam, whose sole asset is a 38 per cent chunk of plantation and tea holdings company McLeod Russel, last week ran into strong resistance from minority shareholders with its scheme to "develop the company's trading activities" by taking in the private interests of two directors, the redoubtable father-and-son team of John Malcolm Guthrie and plain John Guthrie. Through personal and company connections, they have a strong interest in both Assam and MacLeod.

The interests at issue are Learmonth Property Investment (owned by Broadlands Properties which in turn is controlled by the Guthries) and County Properties.

Father John in particular has featured regularly in the public prints since Broadland made a name for itself with a series of spectacular, not to mention controversial property deals in the 60s and 70s. In 1972 he struck gold—plus a few tender nerves—when in the famous Bewbush deal he bought a farm for £3.25m and sold it shortly afterwards for £7m. Broadland popped into public view again in 1977 when the company and Guthrie senior were cleared of conspiring to defraud in a similar, although much less spectacular land sale.

Now, back in 1980, I find the Broadland name cropping up again in what has the makings of another stunning property coup. Having bought the unhappy Shah of Iran's Surrey home and stud farm for £800,000, the company now has the holding on the market again for £1.5m.

I do not claim to know the recipe for the Guthrie brew, but it is surely more stimulating than tea.

Flying fish . . .

The fug of a Dumfriesshire smokehouse is a far cry from the esoteric atmosphere of a stockbroker's office in the City of London, but it certainly seems to suit former brokers David Stapleton and John Davies, who today collect a Queen's Award for exporting smoked slamon. Their company, Pinneys Smokesouses, currently sells £1m worth of fish a year of which some 80 per cent is flown out to markets in France, the U.S. and the Far East.

Davies, production director, started smoking in Suffolk in 1968 after giving up his partnership at Govetts, now Hoare Govett. Moving to Scotland in 1975 he was joined by Stapleton who had earlier dropped out of W. I. Carr (now Carr Sebag) to farm in Cumbria.

Getting into the market was difficult, Davies tells me. And he decided early on that since the British market was both inelastic and well-served by long-established companies, the only way to break in was either to cut prices or to go abroad.

Stapleton proved to be the key. Having in his early career carried the London Stock Exchange's flag into Hong Kong markets, he was promptly sent back to his old haunts with a bag of fish to lay the foundations of Pinney's prize-worthy export initiative.

. . . and two veg

Guess who's coming to dinner at the family butchers' annual beanfeast in Eastbourne tonight? Honoured guests of the National Federation of Meat Traders are Mayor Joseph and Mrs. Angelman — vegetarians both.

Observer

FINANCIAL TIMES SURVEY
Monday April 21 1980

Fleet Management and Finance

The growth of leasing in the financing of car and commercial vehicle fleets has been dramatic in recent years. Now, following trends in the U.S., there are signs that a combination of hire purchase and leasing—known as 'operational leasing'—may soon become a dominant force in fleet finance in Britain.

A new force in the field

By David Freud

FROM THE mid-1970s, the financing of fleets of cars and commercial vehicles has been transformed in the UK. Until then, a fleet manager had two choices when purchasing. He could either buy outright, or he could enter into a hire purchase contract, which, while offering financial certainty, usually proved the more expensive.

The growth of leasing as a major form of finance in recent years has brought a third choice and there are now signs that a combination of hire purchase and leasing—most conveniently dubbed "operational leasing"—will become a dominant force in the field—as it is in the U.S., where it is estimated that up to 80 per cent of fleets are run in this way.

The growth of leasing has been dramatic. The figures are best illustrated by the Equipment Leasing Association, whose membership is dominated by the big banks and which claims to represent 80 per cent of the market. The ELA figures apply to pure financial leasing, in the main, which is, in effect, a way of passing on capital allowances which cannot be used by the lessor himself. In 1971, the total annual leasing undertaken by ELA members was £159m. By 1977, commercial vehicles alone represented £114m, a total which grew to £225m by 1979. For cars, the growth has been even faster. In 1977, only £57m was spent, rising to £343m in 1978 and £468m in 1979.

Recent legislation means that financing cars and commercial vehicles now has to be regarded separately. Until last year, many company cars were leased on the basis of 100 per cent first year capital allowances. However, the 1979 Budget lowered the rate to 25 per cent.

This meantt hat the tax advantages of car leasing were reduced, although other benefits of leasing ensured that the practice has not died away. The leasing position for commercial vehicles remains unchanged, although this year's Finance Bill introduces some restrictions on the people who can be lessees at the full capital allowance rate. Tax-exempt bodies are no longer allowed to be lessees on this basis, for instance.

The recent advent of leasing makes it particularly vulnerable to legislative change, as the past two Budgets have shown. Changes in accounting practice and in the way companies are taxed—in the light of the adoption of current cost figures—could produce further abrupt adjustments for both lessees and lessors.

For this reason, a conservative profile is advisable on both sides of the equation.

Another area of legislative action that could alter the climate for transport managers is the Conservative attack on fringe benefits. While the latest Budget pulled its punches in this area, any future moves to make the taxation of fringe benefits more realistic could reduce the demand for company cars from employees who would prefer to obtain cash equivalents.

About 70 per cent of all new cars are purchased by companies, equivalent to more than 1m a year. The vast majority are self-financed, with leasing and contract hire accounting for somewhat less than 20 per cent.

Risk element

Hire purchase—or, more correctly, contract hire—was popular with some companies because it allowed them to budget for an exact amount each month, removing concerns about repair, maintenance and subsequent disposal. This realisation—that fleet management is enormously expensive in scarce managerial time—has been growing.

While contract hire removed the risk element it was a poor device in cash flow terms because the control and hiring order laid down that a third of the contract had to be paid in advance and the remainder over two years. This restriction was raised in June, 1977.

Contract hire was also rather expensive, because the hirer would tend to build in a cautious estimate of the residual value of the vehicle. If it exceeded the estimate, which was genrally th case in an inflaionary climate, this added up to extra profit for the hirer.

Meanwhile, the leasing boom had taken off. No doubt it was fuelled by the tax advantages, but there were several other reasons, as well. The biggest benefit was to cash flow. Payments were spread right through the time of ownership, and, unlike contract hire, the company retained the residual value for itself.

Furthermore, the fleet could be operated off the balance sheet advantage has now probably seen its best days, since the accountants are likely to unleash a standard in the summer to capitalise leased assets in the balance sheet.

The disadvantage remained that companies had to devote their own managerial time to running the fleet, a resource which—like cash—could presuambly be devoted to more profitable ends.

Furthermore, on the car front, the system was running into heavy flak from the Inland Revenue, which disliked seeing the way some operators were passing on the residual value to employees and directors who used the cars. The Inland Revenue's concern resulted in the 25 per cent rate being introduced, killing off some of the leasing firms which specealised in the practice.

The change, by reducing the tax inducements, has probably accelerated the popularity of the operational lease. The ELA's figures are not sufficiently detailed enough to show the response to the measure, introduced in June, 1979. However, the impression is that the bulk of the record business in cars achieved last year was carried out in the first-half. Demand was sluggish in the second.

By contrast, demand for operational leasing boomed in that period. PHH, one of the companies offering a fleet management service says that its business doubled in the second-half. At the same time, the contract hirers, such as Interleasing and Dial Contracts, are moving into the management field.

The operational lease combines the advantage of the better cash-flow of the financial lease and the management-saving benefits of contract hire.

Leasing rental

The lessee pays the leasing rental regularly, is billed for repairs and maintenance monthly and retains the residual value. The main expense in the commission, but this is typically smaller than the saving that can be made by using the services of a large specialist.

The specialist has much greater buying leverage than even a large single company, since the company's requirement will be spread across dealers through the country. The other advantage comes on maintenance. Dealers welcome the company fleet because generally the cars are not so well supervised as those owned by private individuals. A large specialist fleet managing company has professionals to check for nuss-bills and justifications of work done. It is also able to compare operating data across a much broader range.

The new car market has been surprisingly buoyant so far this year, with sales of 346,000 in the first quarter, well ahead of the level last year, which set a record of above 1.7m. This has led the motor industry to revise the size of the expected downturn as the recession begins to bite.

The recession is already reflected, however, in the lower prices of the second-hand car market, which is the refuge of the hard-pressed private individual. The slump in this market could feed through to affect those hirers who had been over-optimistic in their estimates of residual values as they pared down their rates in the leasing boom. Any repercussions here will reinforce the tendency for the larger companies to dominate the hiring market.

The fleet car is important to the UK economy also, in that, however popular foreign marques may be with the private buyer, the typical company car still wears a British badge (ith true origin may be a different matter, as any Granada driver will testify).

There are probably three reasons for this. Despite the folk-tales, it is still easier to obtain service and parts for British-badge cars since the dealerships are better placed and more frequent than foreign equivalents. Second, they tend to keep their price better in the second-hand market than foreign cars, and third, patriotism is still a definite motivation.

While foreign marques do proliferate at executive level, they tend to be European. The Japanese, with imports restricted by agreement, have concentrated on the more profitable private market, rather than the discount world of the company sector.

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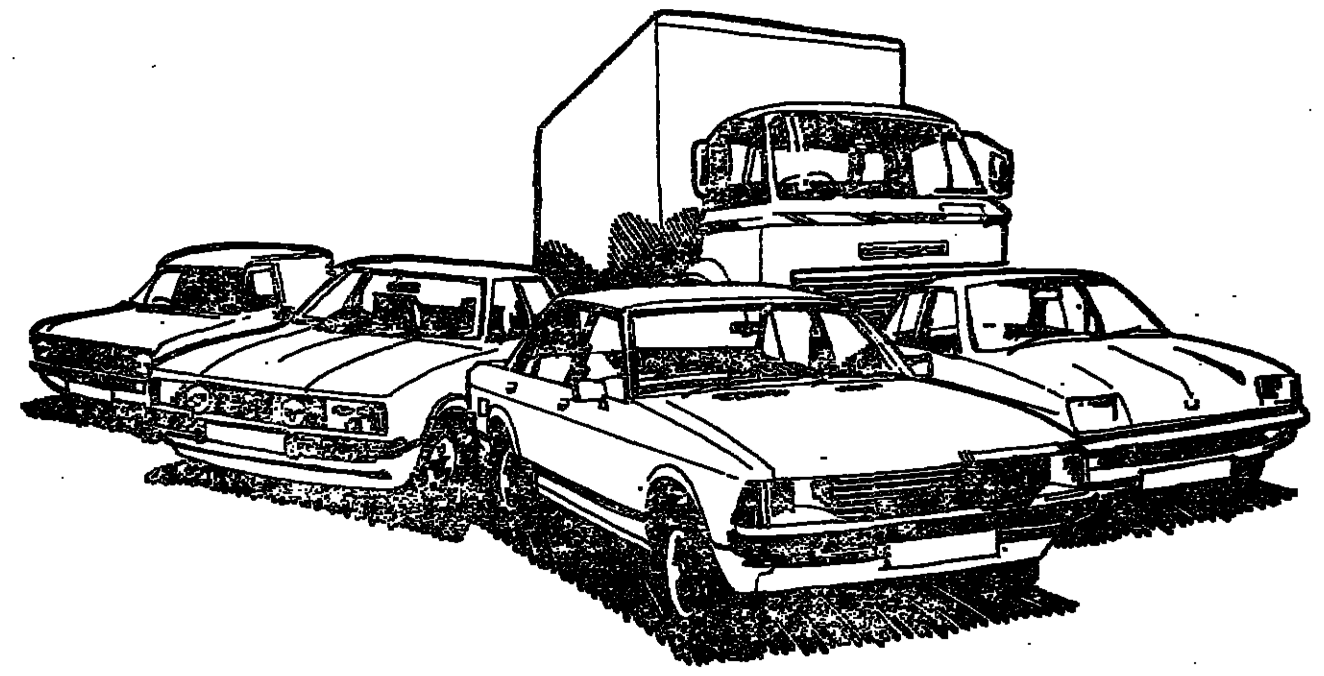
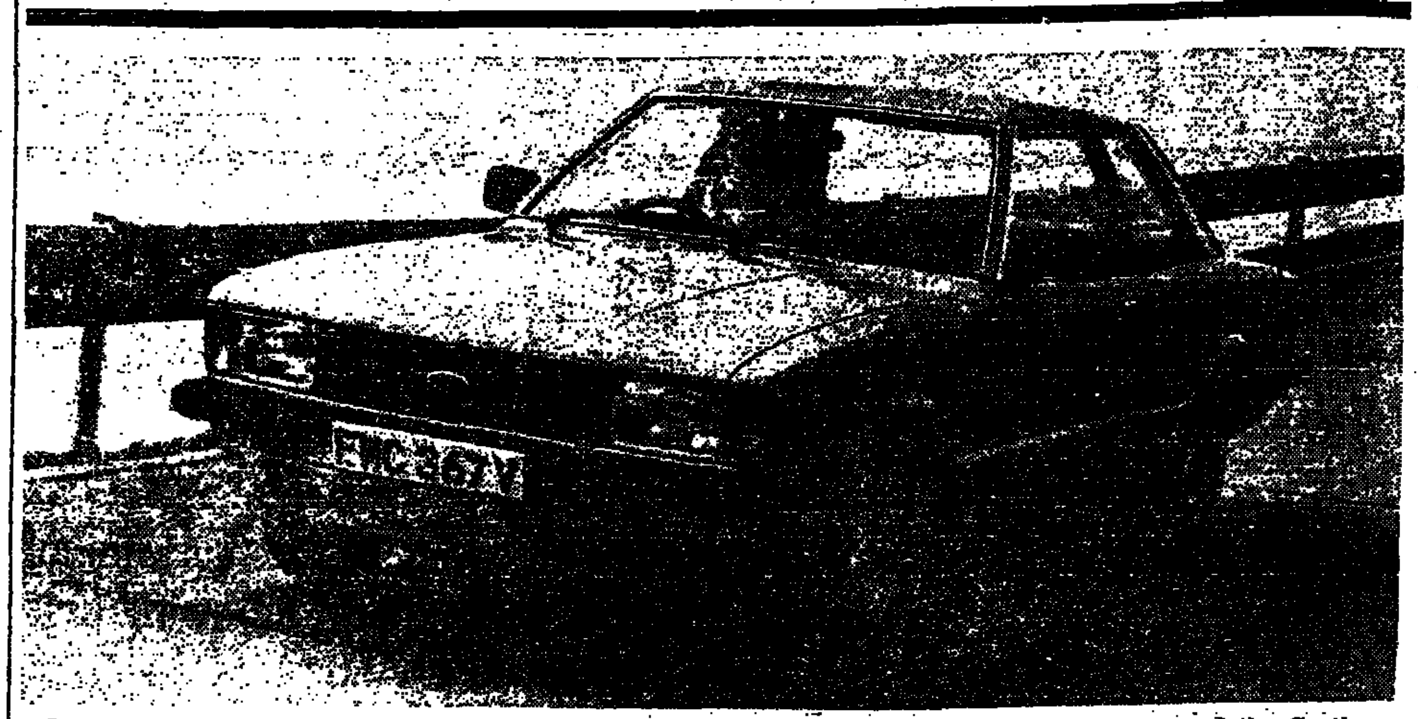
The Chancellor, Sir Geoffrey Howe, is keen to implement further changes in the controversial company car system.





In the UK company car market Ford dominates with a 63 per cent share of salesmen's cars and the Cortina (above) is the most popular model, according to a survey by the magazine Company Secretary's Review

Lively debate over company car system

IN HIS recent Budget, the Chancellor, Sir Geoffrey Howe made it clear, once again, that Britain's Government is determined to carry through its attack on the system of "perks" which has grown up as an answer to the personal tax structure.

The brunt will be borne by this particular "perk" because it seems to be the most common form of non-cash incentive offered by companies.

The most-recent detailed investigation, by the British Institute of Management, of the company car's position in British society, has revealed that around two-thirds of all new car sales are now accounted for by corporations. That does not mean, of course, that each purchase is a "perk" car.

However, one authoritative estimate—from the stock brokers, Simon and Coates—suggests that about half of company car purchases are fringe benefits, rather than fleet cars for salesmen. That means, in turn, that about 35 per cent of the 1.7m new cars bought last year, or 595,000 were bought for "perk" reasons.

Taking a conservative average cost per car as £3,500, that means that UK companies spent £2.08bn in 1979 on this type of fringe benefit—and that, of course, excludes maintenance and fuel costs.

Greater incentive

The Government still intends to switch the emphasis of taxation away from direct (income) to indirect (VAT), so as to provide managers with the incentive to take on extra responsibility which is inevitably involved with promotion.

But, as a *quid pro quo*, it wants companies to cut back on the various "perks" which have tended to become a little out of hand, particularly during the years of the last Government's pay restraint policy.

Sir Geoffrey, however, seems ready to accept the advice of the BIM, among others, not to tackle the "perk" car in isolation.

In a letter to the Inland Revenue last December, the BIM suggested that managers accept there is a case for reviewing the whole range of non-pecuniary fringe benefits, and their taxation: "But any review must be comprehensive—not picking out single benefits—and the implementation of any tax changes resulting from the review should be gradual and linked to a proposed programme of reductions in personal taxation.

"We accept that a comprehensive review will encompass other benefits of interest to managers, besides company cars . . . ultimately, there is no advantage to anyone in a reversion to payments in kind.

"People prefer to be left with a reasonable proportion of their income and to choose their own priorities in spending their money. The intention, we trust, is to simplify the system, not to militate against the hard-pressed middle manager—to reduce payments in kind, not payments as such . . . managers are not expecting a reduction in the real value of their total remuneration package which has suffered disproportionately in recent years."

There certainly have been some dire warnings about what could happen, if the Government should implement quickly all the changes in the company car system which it proposed in a consultative document last year.

Briefly, the proposals were that the scale of benefit, under which people who use company cars for private use are assessed for tax, should be made more realistic: that the £8,500 threshold, below which the benefit is currently not taxed at all, should be abolished and that company petrol provided for private motoring should be taxed.

Simon and Coates calculated that if the changes were fully implemented in the Budget, then new car sales might drop by about 10 per cent; car ownership in the UK might be reduced from its present level of one car for every 3.92 people to perhaps one car for every 4.15 persons by the mid-1980s. This would involve a reduction in the UK car "perk" of about 5 per cent over the same period—"and would have potentially serious implications for the car components aftermarket."

BENEFIT VALUE OF A COMPANY CAR

Present scale	Benefit value, £	1981/82 scale	Benefit value, £
Cars costing up to £8,000		Cars costing up to £9,600	
1,300 cc or less	190	1,300 cc or less	230
1,301-1,800 cc	250	1,301-1,800 cc	300
over 1,800 cc	380	over 1,800 cc	450
Cars costing £8,001-£12,000	550	Cars costing £9,601-£14,400	660
Cars costing over £12,000	880	Cars costing over £14,400	1,050

At present these scale figures are reduced by half if the car does at least 25,000 miles a year on business. From 1981/82, the qualifying mileage is reduced to 18,000.

The stockbrokers also reckoned that the rate of growth of import penetration in the UK car market (already up to 57 per cent), would probably be significantly accelerated — again, with serious implications, not only for the car components manufacturers, but more particularly for output and employment in the hard pressed UK car assembly industry.

Quite apart from these effects, "the changes would impose a huge, £350m additional tax burden on the still relatively narrow section of the population who have company cars, and this may not be politically acceptable."

An even more gloomy estimate came from Aplin Phillimore and Associates, the consultants, who helped the BIM prepare its company car report. Aplin Phillimore suggested that if the Chancellor had implemented all the proposals at once:

● The UK new car market would drop by 19 to 22 per cent;

● BL would lose further market share, leaving it with at most 15 per cent, "far below any possible break-even point";

● Ford's market share would fall 5 to 6 per cent, to around 20 per cent.

● The top 500 car dealers would be plunged into cash flow and profit difficulties;

● Unemployment consequences would be severe, with 10,000 jobs lost in the components industry alone.

● Large sections of the industry would probably not recover.

Although this is, to some extent, special pleading, the Government does seem to have taken some of the arguments on board and when Sir Geoffrey made a start towards implementing the previous proposals, it was a fairly gentle first step.

He spoke about the "fairness" of lifting the income tax charge on the company car used for private purposes to keep pace with inflation as well as because those people paying for their own motoring had to meet heavy extra costs, some imposed by the Budget.

Scale increases

The Chancellor lifted by 20 per cent the scale figures which are used for measuring the benefit of a company car for tax purposes.

But this will not come into effect until the beginning of the next tax year in April, 1981.

As the accompanying table shows, the increases in the scale are not particularly onerous. The BIM, for example, estimated that the value of a company car has been somewhere between £1,500 and £2,000 a year if depreciation, tax, insurance and maintenance are taken into account—and that was using 1979 prices. Motoring costs have risen substantially since then. The price of the Ford Cortina, the most popular company car, has risen 12½ per cent for example.

Those receiving the benefit of "perk" company cars might argue, of course, that the Chancellor did nothing in the latest Budget, substantially, to ease the income tax burden of the higher paid. There is always the next Budget, however.

In April next year, there will be some modest relief for the people who genuinely need a company car. The qualifying annual mileage of business use above which a reduced rate of tax is charged—it drops 50 per cent on the scale rate—will be reduced to 18,000 miles from the current 25,000.

Sir Geoffrey said he had been considering whether he ought to take action to charge tax on the value of petrol provided by employers for private use by their employees.

"This would present severe administrative problems, both for employers and for the Inland Revenue. Even so, I shall feel bound to contemplate action next year if the provision of free petrol continues to spread at anything like its present rate," he said.

The Chancellor said he believed the changes he was making "will generally be recognised as fair."

And it is the unfairness of the company car system which has brought it under attack from several organisations during the past year or so.

The Conservation Society, for instance, in a recent pamphlet, insisted: "The company car system is highly inequitable. It is probably emphasising and maintaining social divisiveness and doing so in a manner that is insidious because it is not obvious. It is leading to inefficiencies in uses of resources, notably fuel."

The society argues that, since most UK citizens are taxpayers and company cars attract tax relief, it can be argued that almost everyone in the country contributes towards company cars.

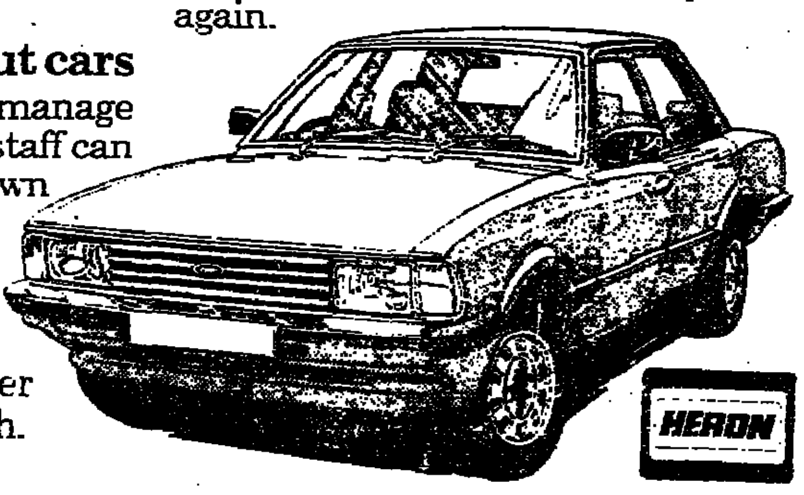
But only the middle-class, higher-income groups actually benefit. Therefore the lower-income groups are effectively subsidising car ownership among the richer members of the community.

The same lower-income groups are also those which suffer most from the problem of being carless in a car-oriented society. Facilities are becoming less easy to reach other than by car at the same time as the means of reaching them other than by car are being withdrawn.

A different sort of criticism was levelled by companies which helped the BIM with its research. Many complained they waste an inordinate amount of top management time, wrangling over the car allocation policy and the make type and even the colour of the car finally provided.

Mrs. Helen Murlis, executive remuneration adviser to the BIM, went so far as to wonder if the fast growth in company cars as fringe benefits was desirable, "or should companies be able, as they are in Continental Europe and the U.S., to pay salaries which allow the individual manager to finance a reasonable car of his own."

Kenneth Gooding



FLEET MANAGEMENT AND FINANCE III

More progress towards EEC harmonisation

BTAIN HAS now made sstantial progress towards gster harmonisation of its dmestic laws with the regulatos affecting road transport hh have been agreed by the Eupean Community.

'e regulations affect drivers' hos and the use of the tachogrn vehicle and driver perfoance recorder. Britain has med towards compliance with bc these measures, although fuimplementation by British ojators is not expected until tend of next year.

e question of a possible ne towards heavier maximum rnitted lorry weights in tain has still not been lved, despite a long-standing n by the European Commis- for all the maximum lorry ghts in member-countries to raised to up to 44 tonnes for ix-axle vehicle.

However, Britain is expected come to its own decisions out the maximum permitted ight of lorries for operations the UK later this year. The rmitage inquiry into lorries d the environment, which was et up as *one of the first acts by* Ir. Norman Fowler, when he ecame Transport Minister last lay, is almost certain to recommend a course of action on lorry weights — even if this involves suggesting no change from the present UK limit of 32.5 tonnes on four axles.

These decisions are eagerly awaited by Britain's road haulage industry, which has campaigned for an increase in maximum permitted weights. Less enthusiastic has been the anti-lorry lobby or environmentalists, who have objected to any change on the grounds that lorries are noisy, damaging and are not used efficiently, even at the 32.5 tonnes limit.

This latter conclusion has some support from the larger operators. In particular, the State-owned National Freight Corporation recognised in its submission to the Armitage inquiry that only about a quarter of Britain's 32.5 tonne lorries operated at their maximum load of 21.5 tonnes.

The Corporation said that "the average load—on lorries at this current maximum laden weight limit—is well below the maximum."

Estimated loads

The NFC said that most of the heaviest permitted lorries in 1978 carried only about 70 per cent of the maximum possible legal load.

Overal, the Corporation told Armitage, only about 35 per *cent to 40 per cent of all tonne*-kilometres (a measure of the movement of freight) moved in fully loaded maximum capacity vehicles. The actual figure may well be less, according to the NFC.

Greater use of existing 32.5 tonne lorries could bring the operating cost for each tonne-kilometre down to the level of a 40-tonne maximum laden weight lorry, which operated only about 10 per cent less miles a year.

The important factor about heavier lorries, which the corporation stressed to Armitage, is that potential cost savings of between 5 per cent and 10 per cent for each capacity tonne-mile can only be achieved if they are fully loaded. Diseconomies arise if they are loaded below 90 per cent of their maximum payload.

This analysis from Britain's largest road freight transport group—with its annual turnover of £406.7m in 1978—is likely to be a significant influence on the outcome of the Armitage inquiries.

But whatever the outcome, the debate which ensues is certain to be at least as lively as the debate which surrounded the tachograph, which was finally accepted by the British Government, last year.

Britain should have made the use of tachographs for most goods vehicles over 3.5 tonnes gross laden weight and for pasenger veicles with more than 15 seats, compulsory from January 1, 1976.

Britain failed to do so, although it was obliged to do so under its obligations under the Treaty of Rome. The UK Government was found guilty of not implementing EEC Regulation 1463/70 on tachographs by the European Court of Justice in February, last year.

However, the Transport Department has since brought measures before Parliament to bring Britain into line with the EEC regulations. The equipment with its recording disc now have to be fitted as a legal requirement in place of hand written log books from December 31, 1981.

The two year programme to meet the European Commission's requirements is now underway. The first class of vehicles—those registered on or after December 1, 1979—had to be fitted with tachographs from April 1 this year.

The Government has been unable to explain why it had such an easy time with the *transport unions in getting the* once controversial tachograph legislation through Parliament and the equipment into lorries, and buses.

Almost no bitterness or opposition from drivers accompanied the passage of the measures to bring Britain into line with the EEC requirements. Indeed, the Transport and General Workers Union claimed some success in helping to persuade the Government to climb down on some points of detail in the proposed measures.

In particular, an earlier draft Government proposal which called for drivers to retain tachograph discs for seven days subsequently cut the requirement to two days, a development the union called a "major concession," although the Government knew it might have to be prepared to appease the unions in some small way.

The Government also agreed *that operators* who use vehicles with a defective or unsealed tachograph system would not be penalised, if the operator could not get the unit repaired or re-sealed immediately.

Thet tachograph dominated public debate about harmonisation withthe EEC last year and in the early months of 1980 but Britain also made further progree on drivers' hours regulations, as required by the EEC.

Two rounds of cuts in maximum permissible hours came last year. Coach drivers had their maximum permitted continuous driving time cut to 4.5 hours on October 1. This was the same limit set for lorry drivers from July, last year.

Driving periods

The maximum continuous lorry and coach driving periods will be cut to four hours when the regulations are fully implemented by January 1, 1981.

The daily driving period for lorry drivers was cut to nine hours in July. Coach drivers were required to observe the same limits from October, last year.

The daily driving period requirements will be fully implemented for lorry and coach drivers—with a limit of a maximum of eight hours—by January 1, 1981.

The lorry drivers' maximum weekly and fornightly driving periods were cut to 54 hours and 106 hours on July 1. The coach drivers' hours were cut to the same level last October 1.

The final change, to a maximum of 92 hours a fortnight for coach and lorry drivers, will be implemented on January 1, next year.

The changes as a whole are designed to improve and standardise the safety and working conditions of drivers in the EEC.

These will, probably be the last major changes required of operators for some time. In the longer term, the European Commission is working towards a "transport infrastructure plan." This would be designed to improve the communications between member states of the Community.

However, the stumbling block is money. The European Commission wants the European Parliament to write into the EEC Budget funds for such a transport infrastructure plan. Agreement may be reached by the summer.

The infrastructure plans are currently the subject of the first investigation by the House of Commons Transport Committee. The study is still in hand.

Meanwhile, the committee said, just before Easter, that it now also intends to study proposals from the private sector and from British Rail and French Rail, for a fixed link across the English Channel. It is hoped that this study will then lead to a full debate on the issue by MPs in the House of Commons, possibly later this year.

Lynton McLain

Britain is making further moves towards EEC regulations affecting drivers' hours and the use of the tachograph recorder, above, in most trucks over 3.5 tonnes gross laden weight

When Mr. Norman Fowler became Britain's Transport Minister, last May, one of his first acts was to set up an inquiry into lorries and the environment

The basic benefits of leasing

LEASING IS a very simple game—if one can only keep it out of the hands of those whose delight it is to wrap in it layers of mystique.

The simplest way to understand the principles is to examine a particular transaction—and to do so in the first instance from the lessor's point of view. Consider, then, a lessor who acquires for a five-year term to a leasee who will pay £4.500 per annum, in advance, during that term.

The lessor borrows the cash he needs for his purchase, and continued holding, of the asset. And the cost of these funds is 4.25 per cent per quarter, equivalent to 18.11 per cent per year, because interest charged at quarterly intervals is effectively to have that interest compounded.

One can construct a cash flow statement for the lessor, to show the transactions relating to this proposed lease, the figures being set out in the table. Reading across the top line, the lessor starts with a borrowing of £20,000, at *January 1, 1980, whic his imme*diately reduced to £15,500 when he receives his first advance rental receipt. It is on this that he is charged three quarter's interest, which is merely added to the principal and thus increases his indebtedness to a figure of £17,562.

At that point tax enters the picture—and since tax is so significant a factor in the lessor's activities, we need to understand its calculation and significance. The table has been constructed on the assumption that an established lessor purchased the asset on December 31, 1979, and commenmed leasing it out on January 1, 1980.

His 100 per cent first-year allowance on that asset is therefore available nine months after the end of 1979. It may be worth 52 per cent of £20,000 directly, by reducing the lessor's *liability on other rental income* by that amount.

Alternatively, if his tax computation shows an overall loss, he may be able to "surrender" the allowance to another profitable company in the group, and receive payment for so doing.

In either event, the tax relief results immediately in the lessor being able to reduce very significantly his outstanding indebtedness. *And this reduces* his interest burden, and therefore speeds him even faster towards the positive cash flow which represents his eventual profit from the lease.

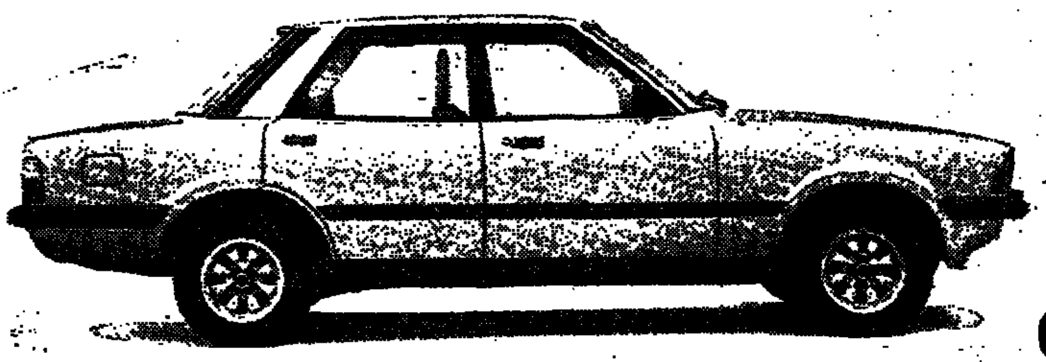
AN EXAMPLE OF A LESSOR'S CASH FLOW FOR A SINGLE LEASE

	(Rents received)	Tax paid (repaid)	Outstanding borrowing at beginning of interest period		Interest paid (received) at 17 per cent per annum	Outstanding borrowing at end of interest period
1980	(4,500)		15,500	9 months	2,062	17,562
		(10,400)	7,162	3 months	304	7,466
					2,366	
1981	(4,500)		2,966	9 months	394	3,360
		1,109	4,469	3 months	190	4,659
					584	
1982	(4,500)		159	9 months	21	180
		2,036	2,216	3 months	94	2,310
					115	
1983	(4,500)		(2,190)	9 months	(291)	(2,481)
		2,280	(201)	3 months	(9)	(210)
					(300)	
1984	(4,500)		(4,710)	9 months	(626)	(5,336)
		2,496	(2,840)	3 months	(121)	(2,961)
					(747)	
1985	—		(2,961)	9 months net	(189)	(3,150)
		2,728	(422)			

But after he has fully utilised his first year allowance on the asset, he then finds himself each year paying tax on the rental *income, decreased by interest* expense or increased by interest income. The lessor's position—and this is the key to both mystery and mystique—is a simple matter of the balancing of cash flows: rentals received, tax recoverable and payable, and interest payable and receivable.

That is all there is to the business of making a net profit, after tax, of £422, except that one has only to envisage what would have been the shape of the indebtedness had the lessor received only a 25 per cent writing down allowance in place of his 100 per cent first year allowance. One can thus under*stand how vital it is that the* lessor makes no mistakes over the tax strand in his cash flow projection.

David Wainman



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Key questions on accounting

THE CORRECT method of dealing with leased assets is one of the three great problem areas for the accounting profession. Leasing, together with inflation and currency fluctuation, are each of them matters of acute controversy, where protagonists and their antagonists have been noisily at each others' throats for years.

These warring angels seem set to split heaven apart. And as is so often the case in dogma fights, mere mortals caught up in the battle find it hard to know what it is all about.

We can best highlight the leasing questions by assuming, first, that the whole truth of the lessors and lessee's relationship is that the former owns and retains his aset, and make profit from it by allowing the lessee to use it for a rent.

Let us consider the example given in the article on the previous page on how leasing works:

- Cost of plant to be leased, £20,000.
- Rental, annually in advance for five years, £4,500.
- Interest on funds borrowed (or on surplus funds) at 4.25 per cent per quarter, calculated on quarterly rests, equivalent to annual rate of 18.11 per cent.

We have shown in that example that the lessor made a net profit of £422 over the period, and if he were to account for this in the simplest and most straight forward way, his profit and loss account for the years during the lease transactions are showing in his books might look like table one on this page.

Therefore, one of the courses open to the lessee is to alter the appearance of his profit and loss account by altering the way in which he depreciates his asset through the five-year lease term. If he writes off very much less in the first two years and more in 1983 and 1984, he could eliminate the losses shown in those first two years, and show a more even spread of profit through the lease.

The first subtotal line in the profit and loss account, rentals less depreciation, is usually referred to as the gross income line. If more of that gross income can be recognised early in the lease term (by "bending" the depreciation charge away from those early years and towards the later), then one can argue that that increased level of early gross income correctly "matches" the heavy interest expense of the early years.

There are a number of formulae which are commonly used as the basis of calculating how the gross income can be "front-ended." The rule of 78, for instance divides the gross income into sufficient parts for 20 of them to be attributed to the first quarter of 1980, 19 to the second, 18 to the third, and so on until the final, single, part of that income is recognised in the last, 20th, quarter in the lease term.

Investment period

Another formula, known as the investment period method, looks solely at the levels of the lessee's indebtedness during that part of the lease term when he still owes money to the financier from whom he had borrowed for his "investment in the lease." Gross income is apportioned only through that investment period, and by reference to the levels of outstanding indebtedness at each quarter end during it.

The bottom lines of the profit and loss accounts drawn up to these two formulae are shown in table two on this page.

The aggregate net profit is unaltered—all that has shifted is its recognition pattern through the years. And even here, the 1985 figure remains unaltered. It is purely an interest receivable amount, which will not be affected by a change in the pattern of depreciation or gross income.

ACCOUNTING—TABLE ONE
(£)

	1980	1981	1982	1983	1984	1985	Total
Rentals	4,500	4,500	4,500	4,500	4,500		22,500
Depreciation	4,000	4,000	4,000	4,000	4,000		20,000
	500	500	500	500	500		2,500
Interest paid	2,386	584	115				
Interest received				300	747	393	1,825
Profit:			385	800	1,247	393	
(Loss)	(1,866)	(84)					875
Tax payable			200	416	648	204	
Tax recoverable	971	44					453
	(895)	(40)	185	384	599	189	422

ACCOUNTING—TABLE TWO

The bottom lines of the profit and loss accounts drawn up to the formulae of "the rule of 78" and "th investment period method (£)

	1980	1981	1982	1983	1984	1985	Total
Rule of 78	(712)	51	(10)	144	359	189	42
Investment period	(209)	(51)	185	292	415	189	42

And although these two bottom lines are less heavily distorted than was the one shown in the profit and loss account in table one (resulting from a straightline depreciation charge), there are still losses being shown in the early years. This absurdity becomes even clearer if one considers the aggregate position of a lessor company which is expanding fast. The more new leases it writes, the larger its losses. Only by contracting could a company improve its profitability.

To produce a "sensible" answer, an even more extreme method of front ending the gross income would be necessary—but at this point the accounting warfare erupts again. Taking all one's income up front is the antithesis of prudence, a goddes worshipped by all true accountants. One cannot serve both her and the mammon of the bottom line.

A different question, but one on which accountants are equally able to disagree, is whether a lessor company does or does not need to provide for tax. If it is confident of being able to continue to enlarge its leasing portfolio, it will never pay any tax—but a contraction of business, or a hike in the corporation tax rate could alter that position dramatically and disastrously.

And the third major area in which accountants, and others, have taken up entrenched and opposing positions is the question whether it is appropriate for the lessee to capitalise the asset in his accounts as if he owned it.

Proponents say that he has possession and use of that asset to so full a degree that it is less than true and fair for him not to reflect it in his accounts. Correspondingly, they say that the lessor should be recognised as more akin to a financier than to an effective owner and "user" of assets.

Not so, say the disputants. That may be the case when the lessee has an option to purchase. In that case he can be expected to become the legal owner in due time; and the vendor similarly expects that his transaction will end as a sale of the assets rather than its retention. But leasing is entirely different, they say, from hire purchase.

As is so often the case in accounting, the fundamental truth that answers all these disputes is that no single accounting treatment, whatever its conceptual merits, can be universally applied without producing irrational results in many instances.

David Wainman

Close watch on car leasing industry

THE RECENT emergence of leasing as a major source of finance means that it has been watched very closely by the authorities. In the last year there have been several changes, or proposed changes, in the legisltation, and more will probably follow.

As far as the fleet manager is concerned, there are two distinct categories: cars and commercial vehicles. Last year's Finance Act changed the capital allowances applying to business cars, so that the general run would no longer qualify for 100 per cent capital allowances.

However, the Inland Revenue had been hedging in the car leasing industry with warning noises, anyway.

The 1979 change left managers free to use leasing to obtain commercial vehicles such as vans and trucks, although changes, proposed in the Budget, now limits that ability to companies that would use the vehicles in the normal course of their trade. Tax exempt bodies such as local authorities will no longer be able to obtain the benefit of a full first year capital allowance when they lease.

The authorities' unease about leasing stems from a variety of sources. The Revenue's motivation is probably the easiest to understand. It disliked seeing tax bills cut down, especially when it perceived some of the reduction as pure ta xavoidance by individuals.

Strong move

In the summer of 1978, the Inland Revenue indicated that it was planning to move strongly against some car leasing companies. The particular arrangements is disliked were when a leased car ended up in the hands of the employee or director, after the leasing period. It attacked the arrangements, either by taxing the employee under the benefits of in-kind legislation, or through the lessor—by assuming the car to be stock-in-trade, rather than a capital asset—or by denying the lessee the right to deduct tax for the rental payments.

This proved to be merely the first step in the Inland Revenue's campaign. In the 1979 Budget, Sir Geoffrey Howe announced that leased business cars would obtain only a 25 per cent first year capital allowance —putting the allowance on the same basis as the directly purchased car. Sir Geoffrey said the discrepancy had "resulted in a loss of tax which is currently running at about £175m a year: and which could well rise to £200m next year, if I take no action."

In this year's Budget, the Inland Revenue's disquiet was eased even further, when individuals were effectively blocked from becoming lessors by a provision which stated that only lessors who devoted substantially all their time to the leasing trade could set off capital allowances against non-leasing income.

Treasury ministers are more interested in whether the capital allowances system is working efficiently in encouraging investment. Leasing is a way in which profitable companies can pass on the investment benefits of probitability under the system to other companies which have either used up their capital allowances or who have no profits to set against them in the first place.

By and large, ministers have been satisfied that leasing has effected a desirable transfer from the commercial sector to manufacturing. However, the Budget changes this year emphasise the concern to limit abuse. The main changes affected foreign-to-foreign leasing, the tax exempt bodies and consumers, were leasing for television rental was attacked.

Furthermore, the full first year capital allowance will only apply when it would if the item had been purchased outright. This is to stop the fringe activity of leasing antique paintings for company boardrooms and suchlike.

Finally, the Governor of the Bank of England, Mr. Gordon Richardson, has taken a great deal of interest in leasing. The reason was the astonishing growth rate of leasing business. Figures compiled by the Equipment Leasing Association (which claims to account for 80 per cent of the market) show that, in 1971, annual leasing undertaken by ELA members was £159m. By 1976, the figure had risen to £421m and last year it totalled £1.8bn.

Last summer, Mr. Richardson said there was concern in some quarters as to whether the industry's growth carried "some risk of instability." The instability derived from the rush of inexperienced entrants into the market, both as lessors and as lessees.

For lessors, the potential problems concentrate around the issue of deferred taxation. The accounting standard, SSAP 15, allows companies to put into deferred tax only the amount of tax that estimates will have to be paid over the following three years. This has led to huge transfers to shareholders' funds, in some cases.

However, this could prove a misguided move. If the market for leasing becomes saturated, with a large and increasing number of companies deferring larger and larger amounts of tax, the competition will become cut-throat. At that stage, some lessors will be forced to drop out, and these will probably be the commercial and industrial companies, since the banks will have the competitive edge on them. For these companies, deferred tax would begin to crystalise.

From the lessee's point of view, the danger is that the present attractions of off-balance-sheet financing can lead to over-commitment. As the Governor said: "While equipment leasing will, in some cases, ease pressure on capital gearing, it will at the same time raise the ratio of interest and rental charges to corporate income.

"That is to say, it increases income gearing, which can be a far more serious constraint than capital gearing for many companies."

Furthermore, the advantages of off-balance sheet financing are likely to disapper this summer, when the accontants are expected to recommend that leased assets be capitased in lessees' balance shets.

Slowing down

So, on both sides of the equation, lessors and lessees would be wise to adopt a fairly conservative attitude. Lessees could find themselves with embarrassing balance sheets when they have to adopt the new accounting standard, while lessors face some unpleasant clawbacks when leasing growth ends.

There are now signs that the growth of leasing is losing momentum. The latest ELA figures show that volume grew by only 31 per cent in 1979, against 67 per cent in the previous year. Therefore, it looks likely that expansion is slowing towards a probable saturation point, in terms of lessee demand, in the region of 20 per cent of total capital expenditure. This is the market share at which the U.S. leasing industry appears to have stabilised.

Once the leasing market stops expanding, the once-for-all deferral of tax through leasing—that took place in the second half of the 1970s—will come to an end, because the market will be able to absorb little more than the return of leasing rents each year. The general run of non-manufacturers, for whom stock relief is not a substantial item, will again start to face tax bills much closer to the nominal 52 per cent rate.

David Freud

Ford maintains success in car fleet market

SA[EN] CHOOSE Ford ca[rs] have Fords chosen for th[em b]ut directors prefer BL. T[hat is] what market research r[eveals] about the UK company c[ar mar]ket.

[The] magazine *Company* [Secreta]ry's *Review*, collected [inform]ation from 858 companies [in Bri]tain and the outcome [w]as no surprise. Ford [domin]ated, with a 63 per cent [share] of salesmen's cars. And [the Co]rtina was the most popu[lar m]odel.

[Talb]ot UK was in second [place] in the survey (conducted [in 1]978), with its Avenger [takin]g a 15 per cent share of [sales]men's cars. BL took third [place] with 12 per cent. The [Mari]na accounted for the major[ity] of this with the Allegro, [Princes]s and Mini sharing a very [smal]l balance. Vauxhall had a [. p]er cent share, although in [197]8 it was having production [pro]blems with its popular [Cav]alier.

Ford's strength in the fleet [ma]rket, which has helped it [ma]intain the new car market [le]adership in the UK, with [ar]ound one third of total sales [an]d the Cortina as best-selling [c]ar, is that its vehicles cover a range suitable for the trainee "rep" up to the managing director.

So Ford was not far behind BL in the directors' car sector, even though BL has a wider range of "executive" cars. BL had 36 per cent and Ford 32 per car. The Ford Granada was the top individual model in the directors' sector, while the Rover 3500 came second.

Ford showed up strongly among cars for senior management, with a 72 per cent share of the total. The Cortina was again the number one model, with the Granada also prominent.

Ford's success in the UK fleet market is based on two key factors. The first is its big dealer network of around 1,240 which, the group claims, puts every customer within five miles of a Ford dealer.

Specialist advice

And, secondly, Ford is very keen to ensure that its dealers are trained to cope with fleet business, which is entirely different from dealing with private customers.

To sell to the corporate the salesman needs to be a specialist who is capable of selling in a business-industrial environment and who can talk with an understanding of his *customers business problems*. This requires an investment in time and money, as well as training.

While Ford, as with all other UK-based manufacturers, leaves its dealers to handle the formalities of any sale, it works hard to provide the right price structure and value-for-money features for its cars.

For example, Ford involves a number of experienced fleet managers when any new product is on its way so that these experts can give the benefit of their experience. Thus, Ford attempts to meet the fleet manager's requirements, even before the car is produced.

Then, at the other end of the deal, Ford does its utmost to protect the second-hand values of its vehicles.

For all these reasons, the group has managed so far to keep a fairly tight grip on the UK's major fleet customers—those with more than 25 cars. And about 60 per cent of its sales go to customers of that sort, despite the efforts being made by importers, in particular, to capture some of Ford's share.

The fact that Ford is the UK's major importer—cars assembled outside the UK accounted for nearly half its sales last year and 17 per cent of the total British new car market—is well-known. Fleet operators are well-aware that *all Granadas and Capris are* imported from Germany, that most Fiestas come from Spain and a good many Cortinas arrive from Belgium.

Operators are much more interested in the fact that servicing Fords is relately simple and cheap and that they can judge, with some accuracy, what the residual value of their cars will be.

Ford's domination of the fleet *sales business probably accounts* for the fact that really drastic price-cutting, quite common in *Continental Europe, has not* been seen very often in the UK.

Discounts offered

The *Company Secretary's Review* survey showed, for example, that most companies were obtaining a 12½ to 13½ per cent discount on list prices, but only those with very large fleets could win a discount of more than 14½ per cent.

Some companies have been able to obtain 25 per cent on extremely big deals—but that has been the decision of the dealer concerned, rather than because the manufacturer had a fixed discount-volume system.

It is certainly important for the dealer to resist pressures to give away too much of the profit on the new vehicle price. It is much better to offer the customer a package which includes a good finance deal, the most economical servicing and maintenance *arrangements, a guarantee* that the car will spend very little time off the road, and so on.

Therefore, it can be argued that the kind of price-cutting campaign which BL launched last month was probably counter-productive as far as the fleet market was concerned. In particular, it left the trade wondering about what prices used BL cars should be commanding.

But BL has been in the position of needing to keep the *public coming into its dealers'* showrooms, one way or another, until its new products are available.

This summer a "facelifted" Marina makes its appearance—a car which will probably be more important to BL's fleet market performance than the Metro, due for an October launch.

Talbot UK's main contender in the fleet market, the Solara, was launched in Europe earlier this month, and the company undoubtedly now has a better chance of improving its share of the market.

While the Alpine was a "car of the year," it is a five-door hatchback—and, for some reason, fleet managers do not like hatchbacks. They prefer a "three box" car or one with a bonnet, a passenger compartment and a boot.

That is the configuration which enables the salesman-*manager to lock away papers or* samples, and the new Talbot car has the three boxes.

So, too, does the Renault 18, a car which came just at the right moment for Renault in the UK which is determinedly building market share towards 10 per cent.

The R18 is a "Cortina-basher" which has helped Renault to win the fleet sales necessary if it is to achieve its *objectives. The car has begun* to appear regularly in the monthly list (produced by the Society of Motor Manufacturers and Traders) of "top ten" models.

Priority purchase

Renault's approach to the UK fleet business has incorporated all the necessary ingredients. Fleet supply is safeguarded by Renault's vehicle allocation system—which means, basically, that buyers can obtain the cars when they want them. Most other manufacturers who are seriously interested in the fleet market offer this kind of "priority purchase" system.

And to compete with the priority given by other manufacturers to servicing and maintenance of fleet cars, there is the "Renault-card" to show that the user is part of a major fleet. It enables him to receive what Renault describes as "a certain priority" for service at its dealer workshops.

Renault has about 450 dealers and service points throughout Britain, compared with the traditional UK-based companies, such as Talbot UK *with 600; Vauxhall 650; Ford* 1,240; and BL 1,900.

Smaller importers who are *tackling the fleet market* and which have far fewer dealers have to take this important point into account.

Alfa Romeo, for example (which only recently set up a "*Fleet Plan*"), *includes in the* price of the car a recovery service to any Alfa dealer in the UK if something *goes wrong* with the vehicle, plus three days of car hire.

This covers the first two years of a car's life with the fleet.

To counter claims that parts and spares on imported cars are more expensive than those of, say, Ford, Alfa also offers free coupons to be exchanged for basic parts like oil filters, air filters, brake pads, and so on.

Fleet cars tend to be changed at about 40,000 miles, or every two to three years, according to the *Company Secretary's Review* survey.

But there are indications that the current rate of inflation—and the fact that the increase in car prices is actually outpacing the retail prices index—is changing this attitude.

Work recently undertaken by Benson Knight and Co., a consultancy specialising in fleet-management for organisations operating from 20 to several thousand vehicles, has shown that the best time to change a car is after one year only. And the main reason is inflation.

"Inflation is causing new car prices and service maintenance costs to rise faster than any savings to be gained by holding on to the vehicle," says Benson Knight. "The sooner the car is replaced after its first year on the road, the more cost-effective it is likely to be.

"One-year-old cars are well-accepted in the trade, since demand for this type of vehicle is always high, especially now that high new-car prices are forcing many retail customers and smaller business users to *consider low-mileage used cars*.

"Furthermore, the owner of a car replaced at the end of its first year has usually enjoyed the cover of the manufacturer's warranty throughout the period. Service and maintenance charges remain at a low level because the cost of rectifying faults is borne by the dealers and manufacturers."

Kenneth Gooding

The role of the finance houses

DURING THE past couple of years, commercial and industrial compan[ie]s seeking to extend their ta[x] allowances for capital invest[m]ent have been entering the field of vehicle finance as lessors, buying fleets to lease on to companies whose own allowanc[es] were already fully utilised.

Their entry into the market has not displaced the clearing banks and finance houses from their position as premier commercial lessors however, and it seems unlike[ly] that they will become a ma[jor] force in the market, part[icul]arly in the face of current fears that the build-up of deferred tax liabilities may [pro]ve a potential future headache.

Neverthele[s]s such commercial leasing busi[ne]ss, together with the aggressi[ve] marketing by the majors in t[he] field, has led to a degree [of] over-supply of investment [fi]nance and, consequently, a [n]arrowing of margins for the les[sors].

For all t[his] however, there is little sign [of d]espondency among the banks [an]d finance houses, all of wh[ich] have recently reported im[prov]ed levels of business and p[rosp]ects of reasonable growth.

Mercant[ile] Credit, for instance, w[hich] has been taken over by [Barcl]ays Bank, and is o[ne] of th[e lea]ders in the leasing [fi]eld, re[porte]d that in the 15 m[on]ths [to D]ecember it had increased [its mar]ket share in a rising [market] and that prospects were [go]od, even for car leasing [des]pite the previous year's [reduc]tion in allowances.

Forw[ard] Trust, Midland Bank's [newl]y restructured subsidiary [com]bining all the finance [and] operations of the bank, reported a 24 per cent [ri]se in pre-tax profits in 19[79, mo]stly as a result of growt[h in l]easing business from £170m [to £2]12m.

Lo[mbard] North Central, Natio[nal] Westminster Bank's leasi[ng arm]—and probably the bigg[est i]n the field—also repo[rted a] 40 per cent increase in [ne]w business to £820m for [1979]. Lloyds and Scottish, too, [which] *is jointly controlled* by [Lloyds] Bank and the Royal Ban[k of] Scotland, was making opti[mistic] noises about prospec[ts].

[The r]eduction in margins, the[n], has not been a major pr[oblem] for the big leasing ho[uses] which have responded by [ag]gressively marketing sp[ecialis]ed packages for individ[ual c]lients.

[The] most imaginative of t[hese i]s still the £84m consor[tium ac]ceptance credit lined up [for B]L (British Leyland) [un]der the aegis of the [Nation]al Enterprise Board, last [year].

[The] deal involved the establ[ishme]nt of a new company, [Whole]sale Vehicle Finance, in [which] the NEB owned 75 per [cent,] with other shareholders [inclu]ding United Dominions [Trust] and two of the major [pensi]on funds.

[C]redit available

[Th]e funds made available to [. .] permitted BL dealers to [obta]in credit for their pur[cha]ses at commercial rates [thro]ugh an off-balance sheet [arra]ngement which freed the [pre]vious cash deposits they had [bee]n required to hold with BL.

Mercantile Credit has adopted [an]other variation of this theme [wit]h its individual arrangem[e]nts with Peugeot, Chrysler, [Al]fa Romeo, Vauxhall, Opel [an]d Ace Belmont. In each case [it] has set up a joint venture [fin]ance arm which offers flat-rate hire purchase arrangements to buyers.

Apart from these tailor-made arrangements with the big manufacturers Mercantile has also pushed its "Flexilease" plan for fleet owners and business users with considerable success.

Under the scheme, which has been runing for about a year now, fleet operators can lease *their vehicles for a basic period* at hte end of which they can choose to pay a terminal rent and *retain the proceeds of sale* of the vehicle as a rental refund. Or the operator may opt to *extend* the lease period and continue to pay rent. If the operator does not wish to *anticipate* the *terminal* value of the vehicle, he can elect for a nominal terminal rental, pay *most of* the lease in the basic eriod and continue using the vehicle at a lower cost thereafter.

Arrangement

The scheme provides a midway arrangement between fixed period leases under which the operator relinquishes the vehicle to the lessor after a period, leaving the lessor with the resale, and "full pay-out leases" which extend over the whole life of the vehicle.

Fixed period leases, although slightly more costly (because of the lessor's need to cover his residual risk), have been a particularly popular management tool because there is no terminal *management* burden in re-selling vehicles.

Instalment credit, the more traditional scheme whereby title to the vehicle passes to the operator after a fixed number of instalments, also continues to provide growth for finance houses such as United Dominion Trust as does direct rental business. UDT's Swan National vehicle leasing subsidiary, reported a 50 per cent increase in profits last year.

Another system, introduced to help dealers' cashflow, is block discounting. Under such arrangements the trader sells to the finance house, at a discount, the *interest in his agreements* with end customers. In return, he receives an immediate cash advance.

This system is really a variation on the great London tradition of the commercial bill whereby companies have always been able to discount their future commercial income in the market. The novelty is that the true commercial bill is a short-lived instrument, rarely exceeding six months in length, while the special vehicle discounting arrangements can extend over longer periods.

The lengthening of the periods over which arrangements can be made with either dealers or operators is one which the clearing banks have begun to make peculiarly *their* own.

For all the popularity of leasing and hire purchase with operators, nearly 80 per cent of all fleets are purchased outright. Traditionally, this meant they were purchased out of cash flow or with overdraft facilities, but banks are now steering customers into medium-term loans, often in a package containing an element of leasing.

The mixed package is particularly attractive for companies with some capital allowances still unutilised, but with insufficient internal facilities from this source to finance an entire vehicle replacement or expansion programme.

Christine Moir

Variety of financial options available to companies

ABOUT 11 per cent of all investment in plant and equipment in Britain is carried out through leasing arrangements, according to estimates derived from last year's volume figures produced by the Equipment Leasing Association.

If the experience of the longer-established U.S. market is anything to go by, the growth of leasing as an investment technique should slacken off eventually at about 20 per cent of total investment. At any rate, the Treasury and the Bank of England are concerned not to let the leasing market become too large.

If one assumes that a similar proportion of investment could be arranged by way of contract hire, this still means that the bulk of companies' investment in plant, machinery and vehicles will continue to be through direct purchase.

Indeed, management has a prediliction for outright ownership, an emotional response, but one shared by successive governments which have continued to offer generous capital allowances for such investment. The growth of leasing as an alternative only really gained acceleration when companies had already used up their capital allowances and wanted alternative, low-cost methods of further investment.

The company secretary of United Carriers, Mr. Martin Smith, recently put the traditional view very strongly: "Leasing is a way to start off a haulage business. It makes sense for those who can't use capital allowances. United Carriers has the cash resources to buy its own fleet, outright."

For most compaines internal cash resources are the first place to seek the price of a new fleet. Retained earnings plus depreciation—cash flow—ought, especially for a specialist haulage or distribution company, to be more than sufficient to cover replacement of vehicles.

Profit margins

But in many cases today, diminished earnings through squeezed margins and depreciation reserves either insufficient to cope with current inflation rates or already stretched by other working capital requirements, may already be overcommitted.

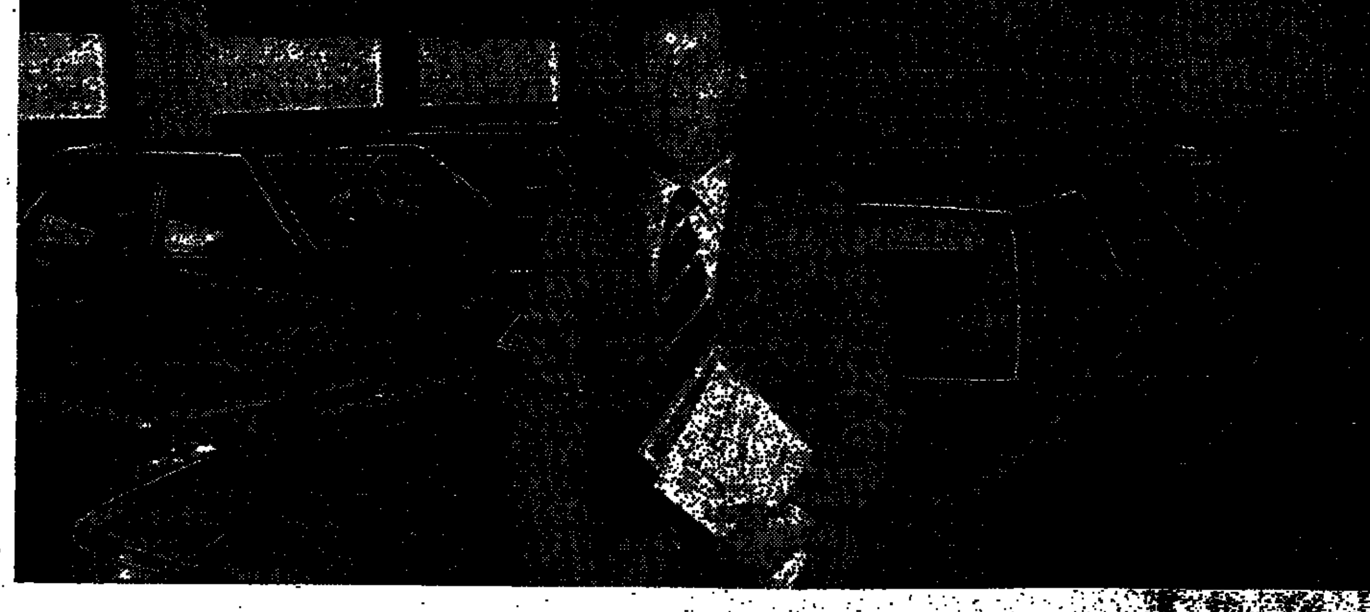
Companies, therefore, have to seek outside sources of finance. Theres come in two classes: debt finance or equity finance —or sometimes a mixture of both.

The bank is the first place companies turn for outside finance. However, the traditional clearing bank facility, the overdraft, is not truly suitable for an investment with a probable life of between three and eight years, with an average of five.

The banks themselves, conscious of the ease and speed with which governments can impose corsets out of which the overdraft system uncomfortably overflows, are these days tending to divert customers into term loans more directly linked to the life of the assets to be acquired.

As bank term loans become more familiar to both bankers and customers, they are also tending to be offered at variable rates, rather than the more traditional fixed rates. In this, the clearing banks are only folowing the lead of the merchant banks one of whose central functions has been to provide debt finance of varying terms at rates linked to the money market's fluctuations, expressed in terms of the London Interbank Offered Rate (LIBOR).

Finance for Industry, through its subsidiary Industrial and Commercial Finance Corporation, provides a similar package of flexible term loans at not dissimilar rates. It can also supply a mixed package of equity and debt finance, buying an equity stake in an unquoted company and topping-up the difference with a term loan.



In the car leasing market, "control of cost and the removal of risks for the customer is the name of the game," says Mr. Ian Mosley, the managing director of Swan National Leasing, one of the UK's largest car fleet leasing companies and a subsidiary of United Dominions Trust. Mr. Mosley anticipates "a whole new secondary market for those leasing companies which offer a fully-inclusive package—and not simply cheap money or tax shelter."

This route is also being followed more and more by the investing institutions, particularly the pension funds which are under pressure to invest a proportion of their enormous inflows directly into British industry. Merchant banks are the best introduction to pension funds who would be prepared to consider a mixed equity/debt package either directly or through specially set up development capital enterprises.

The quoted company can, of course, try the direct equity financing route by way of a rights issue to shareholders. In good times, rights issues to finance essentially short-lived assets have not ben well received for obvious reasons. Management, for its part, has been reluctant to offer the deep discount to market price usually required to tempt shareholders to take up their rights for all but major expension plans with good medium-term prospects.

But, in the current climate, such rights issues, ironically, may get off the ground again. Shareholders are already steeling themselves for demands from companies made solely to meet working capital shortfalls, so deep is the recession being faced by much of manufacturing.

A rights issue prospectus, suitably presented, in which a company asks for equity capital for flet expansion or replacement, could, by contrast, look more acceptable to shareholders particularly in the light of the taxation advantages accruing in the firstyear from the 100 per cent capital allowances.

Debentures, a traditional form of commercial debt financing which has been out of favour for a decade, may also be making a comeback as a viable alternative. Again, there is an ironical element in the revived interest in this commercial facility.

Company managements grew wary of debenture stocks which tie them to a fixed rate of interest over a long period (usually around 20 years), as inflation began to accelerate in the early 1970s. The rates needed to attract potential stockholders had to be pitched to provide a margin over gilts at a time when governments, faced with mounting borrowing requirements, were driving yields up with every new tap.

But a decade of inflation has brought familiarity and sophistication, Variable rate debenture stocks, linked to current money market rates, have made a tentative appearance with some success, as they provide a real degree of protection against being locked in long-term to paying high rates of interest if interest rates fall during the period of the stock.

Cost-efficient

But the package more acceptable to loan stock holders is the fixed rate debenture carrying a call option. If such an option exists, companies have the right to repay the debenture before the maturity date is reached—expensive, probably, at the time, as stockholders seek compensation for loss of regular high income—but cost-efficient, if compared with the total interest bill if interest rates fall.

Stock holders would, of course, seek a higher coupon on a "call option" debenture, but the margin may not prove too onerous. A couple of companies have tested the market in recent months, offering rates only 1 per cent to 1½ per cent above comparably dated Government stock. The results were encouraging: institutional investors, in particular, being anxious to diversify their fixed interest portfolios.

With overdraft charges, currently running at around 20 per cent for good quality commercial customers, the debenture route could look distinctly attractive, though the management exercise of comparing this cost with all the other forms of finance available would ultimately probably reveal only a fine edge.

The same applies to all forms of capital raising exercises, especially in a time of high interest rates, depressed equities markets, and increasing earnings gearing. More than ever companies would find well spent the fee for corporate finance from a merchant bank in advising them on the appropriate debt, equity or mixed package best suited to their circumstances.

Christine Moir

Sir Monty Finniston, chairman of the committee of enquiry into the engineering profession and president of the Design in Industries Association, at the Design Centre in London when he examined the award-winning C40 Leyland cab, now being fitted to the T45 Roadtrain, the new range of heavy-duty articulated truck—the first all-new model from any part of BL since the reorganisation of the company by Sir Michael Edwardes. Standing is Lord Stokes, Leyland president

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U.S. companies set the pace in leasing activities

MANY BUSINESS systems are said to be "bigger and better in the U.S."—and leasing activity is no exception. The Americans, who have been involved in leasing for longer than us in Europe have the stimulus of U.S. industry's enormous appetite for capital, plus the assistance of a not unhelpful fiscal code.

American accounting principles require that both lessors and lessees distinguish operating leases and "capital" ones—the accounting treatment is quite different for these two categories. And it is inherent in the theory that lessor and lessee will adopt a consistent treatment for their respective ends of each transaction.

For operating leases this may perhaps be a self-evident truth—the lessor will put the asset on his balance sheet and depreciate it in the normal way, and he and the lessee will account for rentals as income and expense respectively. The user of the lessee's accounts only becomes aware, indirectly, that he has possession and use of assets not themselves shown in those accounts: the lessee must disclose his future rental obligations for each of the next five years, and the total thereafter.

Other leases, which the lessee generally calls capital leases, must be treated in his accounts as the acquisition of the asset concerned. It is normal practice, although not the invariable rule, that the lessee will have the right to purchase the asset at the end of the lease. And consistently with this, the lessor treats his end as a "direct financing" arrangement. (Or, if he is both the financier and also the manufacturer of the asset concerned, he reflects separately his sale and his financing transactions.)

The original statement in which the Financial Accounting Standards Board laid down these rules ran to 115 pages, and it has since been clarified and refined by a large number of further pronouncements. But the Internal Revenue Service has its own separate ideas on the fiscal treatment of leased assets and leasing generally.

Tax allowances

Tax depreciation allowances are given to the taxpayer, regarded as the owner of the asset: he can choose between the straightline and the depreciating balance methods (or he can accelerate his reliefs through the double depreciating balance method). His choice will, within permitted limits, determine what is to be regarded as the asset's expected life.

And there is a "catch 22" in his accelerating his allowances too far—by doing so he may cut down his "investment tax credit." The latter is an extra tax reduction, given in addition to depreciation allowances. For assets with a life of seven years or more, it is equal to 10 per cent of cost—but the percentage falls for shorter life assets.

However, the essence of the Internal Revenue Service's declaration of independence is that it has its own rules for fixing whether lessor or lessee is to be treated as the asset owner, and entitled to depreciation and investment tax credit. And these rules also determine the appropriate tax treatment of the lease transactions as a whole.

The advice of those contemplating U.S. leasing proposals must be that they walk delicately through this minefield of rules and regulations.

Elsewhere in the world, the potential lessor and lessee must also use their terminology with exactitude.

For instance, to a Frenchman, leasing would generally mean "ceritbail." This is leasing with an option for the hirer to acquire the asset at a bargain price, conditional upon his having met his rental and other obligations. It allows for the leasing of both real and personal property, and in France (as in Scotland) the latter is referred to as "moveable."

Creditbail can only be operated by banks and financial institutions. Each major French bank has a subsidiary already active in the market, but it appears very unlikely that the French Banking Authorities would sanction any outsiders wishing to participate in that market.

Creditbail transactions in reality enjoy a favourable tax régime referred to as Sicomi. The rental periods can never be less than nine years, and there are other very strict obligations on both parties, including one requiring publicity for the transactions itself. Leasing without a purchase obligation for the lessee would be called "pure renting" by a Frenchman, and he would comment that this form of activity is relatively unveloped in France.

When one turns to German leasing, the scene looks more familiar to Anglo-Saxon eyes. The German leasing industry has had a spectacular recent growth, very similar to the growth of this sector in Britain.

The terminology which the Germans use also sounds familiar—operating leases and capital leases. But the unwary could easily be trapped if they thought that these terms bear the same meaning as they do in the U.S. and the UK.

The definition of a capital lease in the German Leasing Decree of April, 1971, is one in which full payout occurs during the non-cancellable period of the lease. And this non-cancellable period must be either less than 40 per cent or more than 90 per cent of the asset's useful life. If the period concerned falls between these two, but the lessee has a right to extend the period—or to purchase the asset at a price below certain defined limits—then the lease may again be categorised as a capital one.

Because capital leases are only those with the odd characteristics described, it will come as no surprise that the majority of leasing business written by German leasing companies falls into the category of operating leases. They say that the leased equipment is legally and economically owned by the lessor.

The lessors concerned are mainly subsidiaries of German banks, or are owned by consortia of those banks. Lessors receive tax depreciation allowances, but these are at relatively low percentage rates. This is not the tax incentive which stimulates the leasing industry.

The significant advantage is in the area of savings available for Municipal trade taxes. These latter are charged on two parallel bases, one related to capital employed and the other to income. A lessor company is entitled not to count its leased assets into its capital computation. But it can also deduct the cost of the funds it has invested in those leased assets in arriving at its income.

Its trade tax liability is thus reduced, and this enables it to quote more favourable terms to prospective lessees than they could themselves achieve through outright purchase.

In Belgium, leasing business has grown tenfold since the Royal Decree No. 56 of November, 1967, created the industry's framework. Lessors obtain the same tax incentives for investment as other companies, and also obtain the same favourable Value Added Tax recovery. Each of these was provided under thet 1978 legislation aimed at fostering investment.

Less developed

However, it remains true that over half of the total leasing business in Belgium is in the hands of five companies. Few, if any, very large deals are handled through the leasing market, and that market is described as less highly developed than most others in Europe.

In the Netherlands, the law which constitutes the ground work for the leasing industry is a Ministerial ruling of February, 1969, on a question of VAT. This distinguishes capital and operating leases.

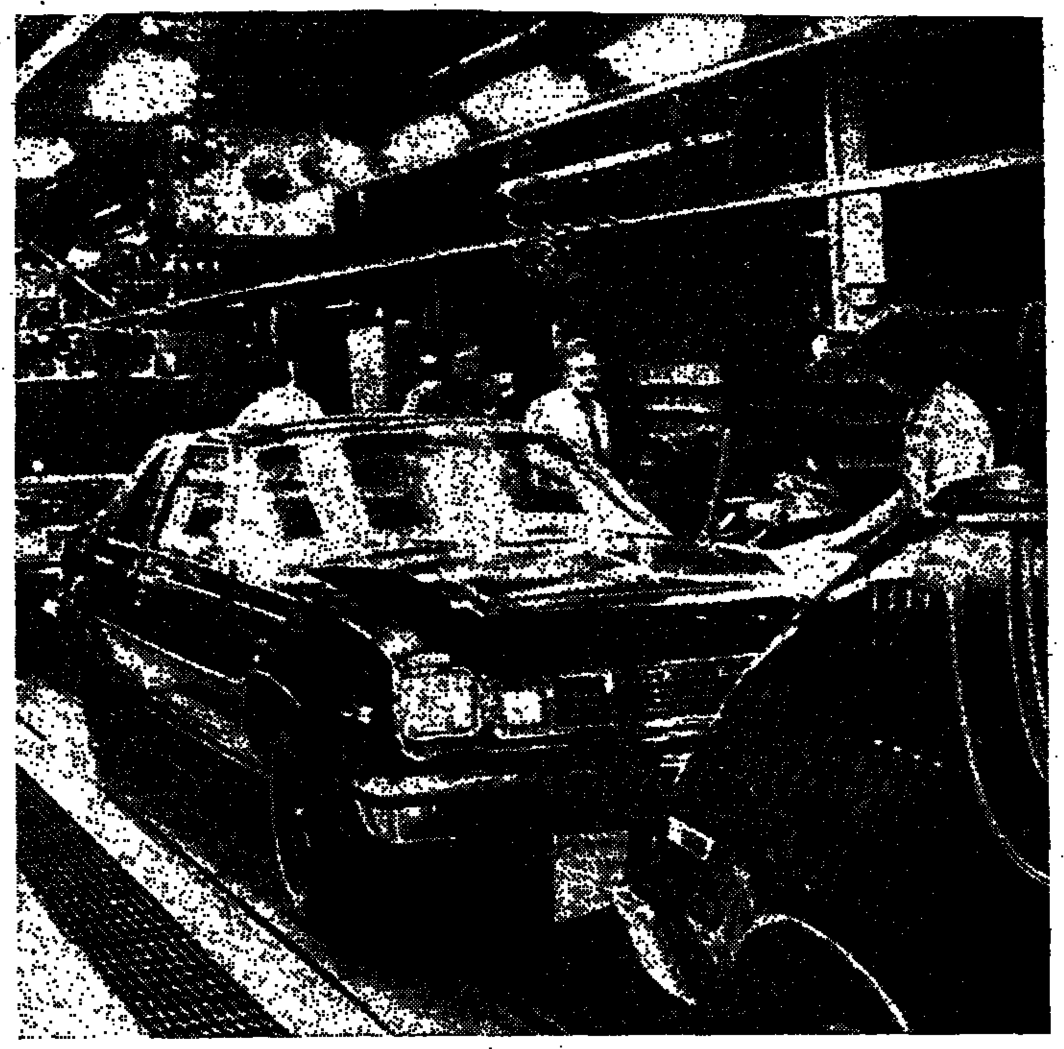
In the case of operating leases, where the Dutch recognise that the assets "economic ownership" remains with the lessor, that lessor is entitled to the tax depreciation allowances. The rentals are correspondingly treated as deductions for the lessee and as income of the lessor.

But for all other leases, characterised as capital leases, the treatment is the exact reverse. The lessor is taxed as if he had sold his asset, and he recognises his income over the lease period according to the formula known as the "rule of 78."

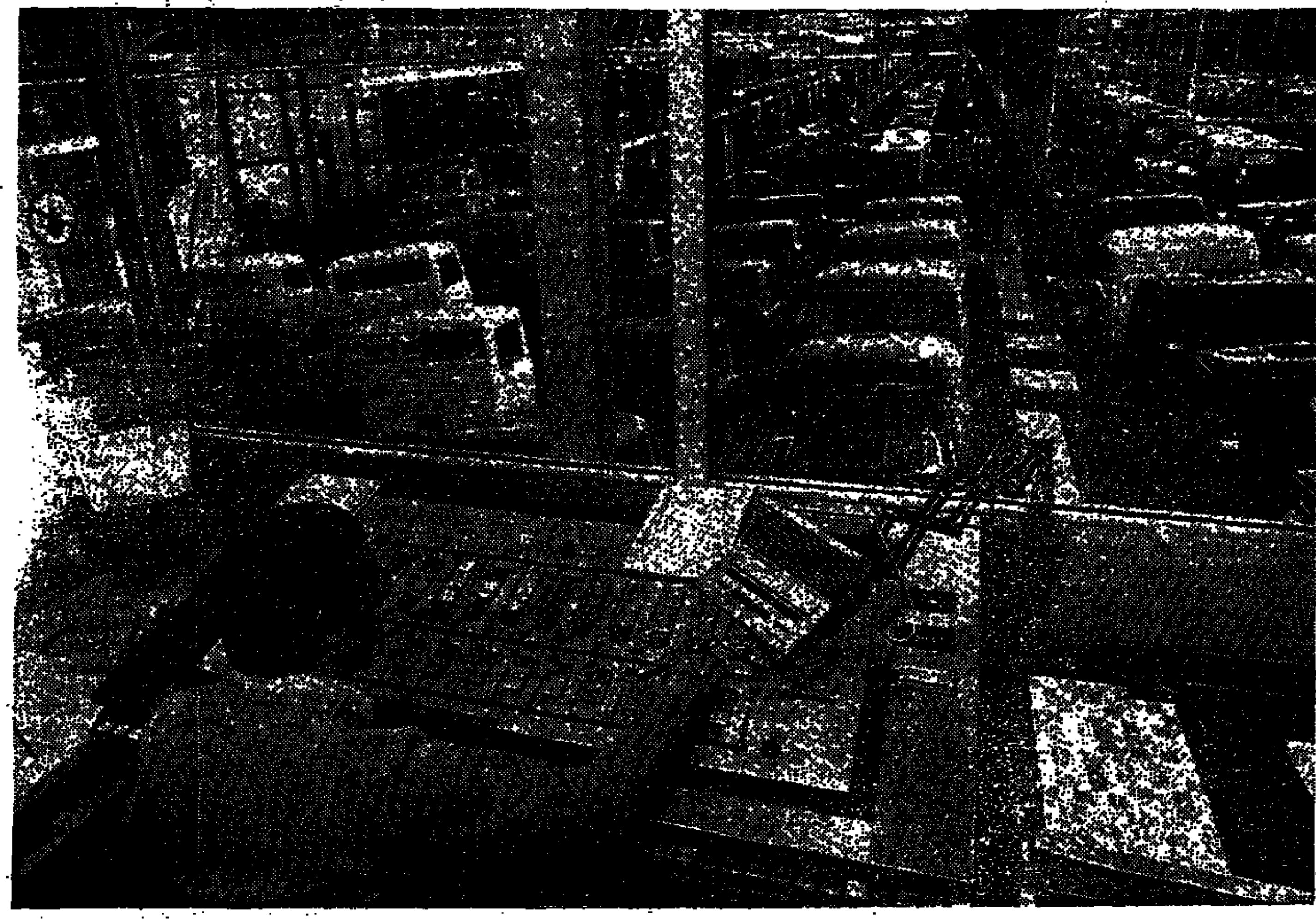
The lessee treats the asset as his own for tax purposes. He obtains tax depreciation allowances on its cash price, and he treats as a deductable expense the excess of the rental payments over that cash price—this being regarded as equivalent to an interest expense.

Terminology is an exacting study for prospective lessors and lessees, everywhere in the world. So, also, are the accounting and taxation rule books. And if it is appropriate to add one further word of warning—the rule book around Europe for Value Added Tax is very much less standardised than many people imagine.

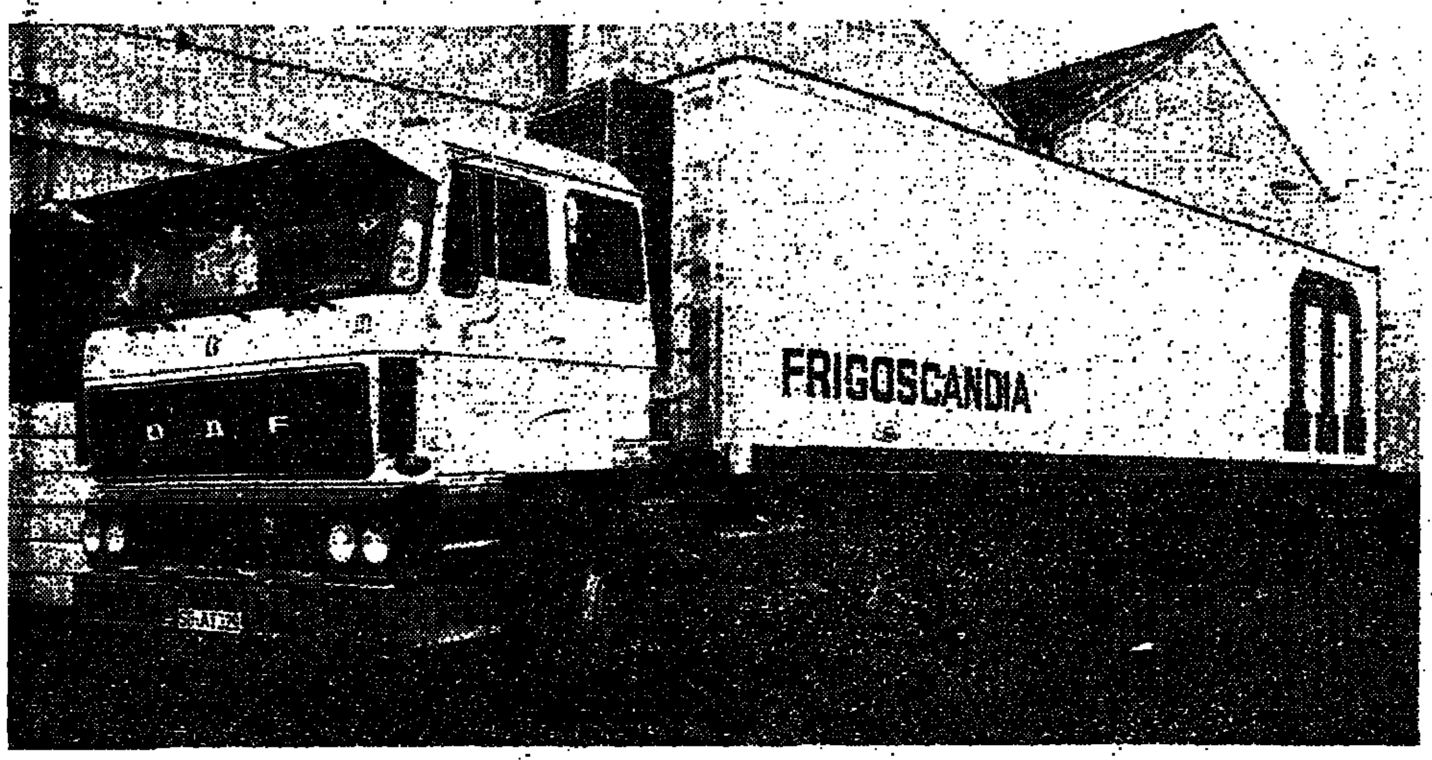
David Wainman



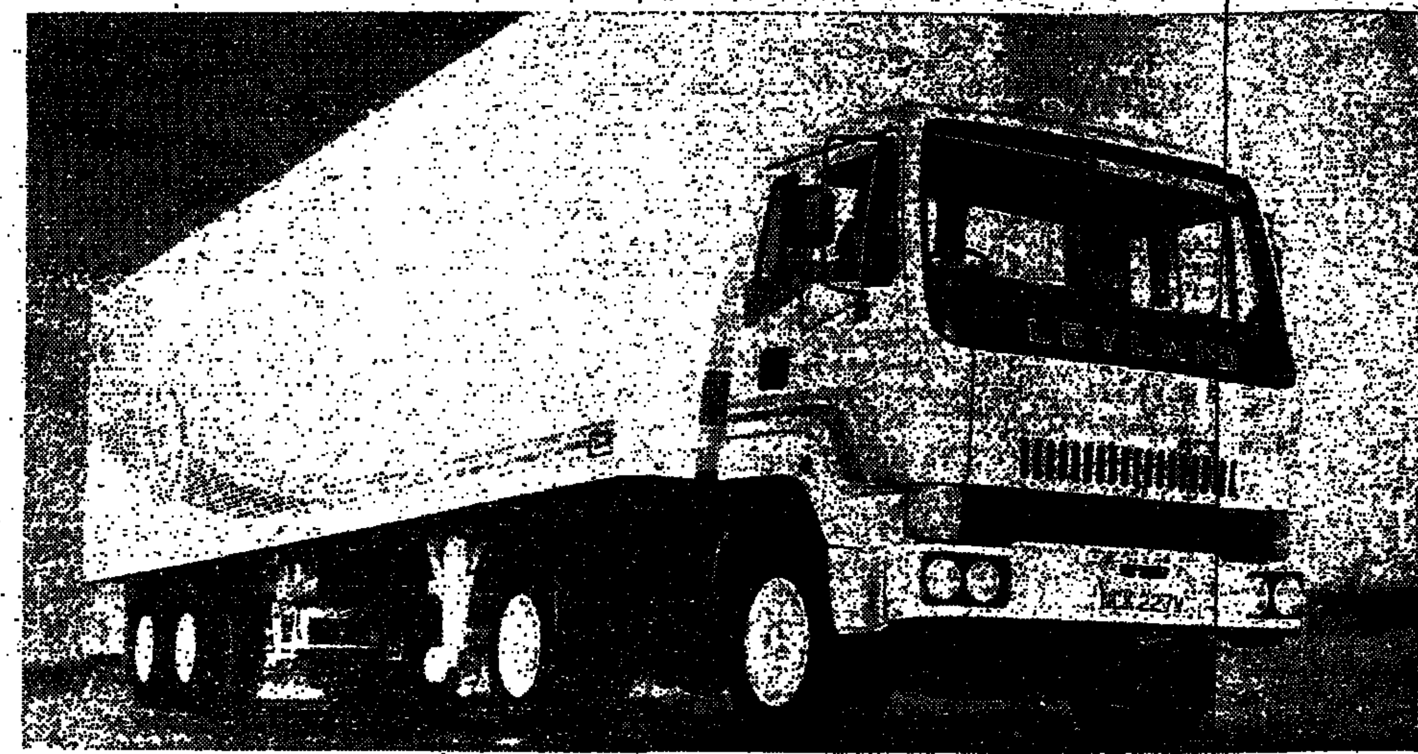
American industry's enormous appetite for capital, plus the assistance of a fiscal code, has helped to stimulate the greatest activity in vehicle leasing of any country in the world. Above: cars roll off the assembly line at American Motors Corp.



In West Germany, the vehicle leasing industry has had a spectacular growth in recent years—very similar to developments in this sector in the UK. Above: the control room at the Mercedes-Benz truck production line



The Taskold refrigerated semi-trailer incorporates alloy riveted construction and provides high thermal efficiency with a 25-ton hanging load facility



The Roadtrain 16.28 from Leyland Vehicles is the first fruit of a five-year design and development programme dedicated to the production of the new T45 truck range.

Fierce competition among truckmakers

A FEW weeks ago, Leyand Vehicles sparked off the biggest launch ever seen in the UK for a truck range. The company has been spending well over £1m to give its T45 range "the right send-off."

Leyland justifies the expenditure by pointing out that it is not just launching a truck range but also rebuilding the image of a company.

And it needed to put the message over quickly to an estimated 4m people in the British truck and transport industry, including 145,000 fleet operators

The much-delayed launch included a national television campaign—not unique, but highly unusual among the truck makers.

The exercise showed the determination within Leyland Vehicles to claw back its lost home market share—down to only 17.5 per cent last year, compared with a traditional 30 per cent.

The T45 models will cover the weight ranges above 16 tons. The first to be launched was a 38 to 40 ton tractive unit, named Roadtrain, the "Flagship" of the new Leyland fleet. Four more models will be introduced this year, taking the range down to 24 tons. By the end of 1982, all the T45s should be "on the road."

Leyland has incorporated many existing components in the T45 models, but they have a completely new cab system, based on a modular design, to cover trucks from 6.5 tons to 200 tons.

The range will be assembled at a new £32m plant at Leyland, Lanchashire, where output has been stepped up to 100 units a month.

Backing up the T45 is a £13m modernisation and expansion programme at Leyland's parts warehouse at Chorley, Lancs. The warehouse will have direct computer links with distributors. Orders placed before 11 am on any weekday will have a guaranteed delivery anywhere in the UK within 24 hours. This project should be complete midway through next year.

Price range

Road train is priced at £25,000, which puts it squarely in the middle of the price range covered by its main competitors, but is well under the list price for the major rival, Volvo's F10.

As long as Leyland Vehicles comes near achieving the standards of quality and reliability it has set itself, those fleet operators who have been yearning to "buy British" will need to yearn no more.

Leyland lost quite a few friends when, one by one, it dropped such famous names as Albion, AEC, Scammell and Guy from its trucks, while, at the same time, going through a necessary rationalisation programme.

Now it has a chance to win some back.

But it will not be easy—particularly as 1980 (if the forecasters are correct) could be one of the most competitive for many years.

However, similar noises were made at the beginning of 1979—and they proved to be entirely wrong. In the event, 300.565 new commercial vehicles were registered in the UK last year, according to the Society of Motor Manufacturers and Traders (SMMT). That figure just topped the previous record of 300,341, set in 1973. Registrations were also 17.27 per cent above the 1978 level.

Perhaps the main influence on sales last years was that corporate liquidity was relatively high—and when this was coupled with a continuing high rate of inflation, companies were encouraged not to delay too long before replacing their vehicles.

The prospect for 1980, however, is for corporate liquidity to be squeezed, for historically high interest rates to continue and for economic activity to suffer a general slowing down.

On top of all that, the haulage industry is still reeling from the impact of three disputes: one, early in 1979 in which its own drivers were involved, followed by the engineering dispute last autumn and the steel strike this year.

Consequently, the SMMT expects commercial vehicle sales to fall by more than 10 per cent, from the 1979 level, to around 260,000. Breaking this down into sectors, sales of light commercials might drop from around 220,000 to 185,000, while at the heavy end of the market registrations might fall from about 77,000 to 65,000.

Tough climate

This is the kind of environment in which the truckmakers will have to compete this year.

There will be some price-cutting, of course—but there is a limit to how far that can go.

Competition will also be reflected in the back-up services offered. For instance, when times are difficult an operator might well want to obtain more information about the way his business is performing and take up an offer to plug into a truck manufacturer's specially-devised computer programme.

To take one example, Daimler-Benz (Mercedes) in the UK offers its fleet operators its Transport Consultancy Service, the backbone of which is a computerised cost and performance analysis system which shows up real vehicle operating costs. Users are able to relate these to overheads and produce a clear picture of total transport costs.

Information is stored at Daimler-Benz's computer centre in Stuttgart and, although it is confidential as far as individual companies are concerned, the data gives Mercedes a feedback about how its trucks behave in service.

Daimler-Benz is one of the importers which Leyland Vehicles will have to tackle head-on in its attempts to win back customers.

The West German group is Europe's major truck manufacturer and it has been making a determined attack on the UK market for about six years. It seems to have found the right formula—its registrations soared by 48 per cent in 1978, then a further 46 per cent last year, to a total of 6,241. It is about half-way to its target of capturing 9 to 10 per cent of the UK's heavy truck market.

Daimler-Benz's volume is helped by the Bremen vans it brings in at the lighter end of the commercial vehicle sector. But, at the heavy end, it has been catching up with Volvo of Sweden, the most successful importer, so far.

Volvo has revised the whole of its range over the past five years and some of the more-recent introductions are perhaps a little ahead of their time in terms of the comfort they offer to the driver.

The company last year made progress in the UK, where it sells more trucks than in any other market — including Sweden—but it has not made as much progress as some other manufacturers.

IVECO, Europe's second-largest commercial vehicle business, owned by Fiat and which includes the Magirus Deutz range, has combined the marques in a new UK subsidiary.

More integration

In future, Fiat and Magirus will have integrated marketing, parts, service and financial control departments. But there will continue to be two sales departments, two marques and separate dealer networks.

The main effects will probably not be felt for two years when a new headquarters, warehouse and service facility is expected to come on stream in Warrington, Lancs.

Even so, IVECO's target is to take 10 per cent of the market for trucks over 3.5 tons by 1985, compared with its present 5.6 per cent.

The question is: who will give up market share to make way for this advance?

The American multi-nationals have based their commercial vehicle businesses mainly in the UK and they have their own plans to build up trucks sales. Ford is in the middle of a £400m, five-year programme for its European commercial vehicle operations. One of the first results will be a new range of medium-weight vehicles to replace the "D" series, next year.

General Motors' subsidiary, Bedford, also has some surprises in store. Changes to the long-serving TK range are expected now that the heavier TM trucks has sucessfully been introduced.

Seddon Atkinson, now owned by International Harvester, one of the world's biggest truck producers, outpaced the market last year and pushed up registrations by 21 per cent to improve its share. It plans to launch five more models this year and these are believed to be addition to its 300 series of mid-range heavy trucks. Later, it will begin a programme to introduce 13 other models.

BRF is also moving down the weight range, with introductions of [illegible] tonners and 24 planned this year so as to double—in unit terms—the group's potential market. BRF is spending £10m for a new plant at Wrexham, due on stream in 1983, to increase its capacity in the expectation it will increase market penetration.

By contrast, its near-neighbour, Foden at Sandbach in Cheshire—has still to make full use of the expansion programme carried out in 1970s.

Dodge, now owned by PSA Peugeot-Citroen, last year launched its range of light sector, in the 3.5 to 7.5 ton sector, called the 50 series. Dodge's future might well be bound up with Daf of Holland and, possibly, International Harvester, too (IH has a one-third stake in Daf) because all of them have been talking about some measure of joint co-operation. That development would not have any immediate impact on the UK perhaps but it would have serious implications for the mid-1980s.

The entire European truck industry is ripe for for restructuring and this has already begun. Leyland has taken on its new competitive stance—not a moment too soon.

Kenneth Gooding

More curbs on fringe benefits

IN THE last decade, companies have given the use of a car to far more employees, many of whom do not need them in the same way as, for instance, salesmen and representatives. The expansion was hastened by the tax treatment, which made it more valuable for employees to have a car than the equivalent increase in salary.

The Government has announced its intention to reduce the use of fringe benefits, and last summer the Inland Revenue put out a consultative document proposing that the notional benefit enjoyed by an employee, with a company car, or petrol, should be raised to a more realistic level, for income tax purposes.

In a speech in September, Sir Geoffrey Howe, the Chancellor, said that the spread of benefits had, in many cases, gone beyond the "fringe of sanity."

He stated: "Perks are an inefficent and often wasteful way of rewarding effort—and unjust. Some perks are taxed in full. Others pay no tax on identical benefits. The whole chaos might almost have been designed to set people enviously against each other,a nd so bring our system into contempt."

Government intentions and Government actions do not always mirror each other. In the March Budget, Sir Geoffrey made some minor adjustments to the legislation on taxing fringe benefits. He also announced that the present scale figures used for measuring the benefit of a company car would be raised—but only from April, 1981, and only by 20 per cent, equivalent to only one year's inflation.

Some have seen the Budget measures as evidence of a climb-down. But, in effect, Sir Geoffrey promised, last autumn, that any substantial increase in the taxation of benefits would be balanced by all-round income tax cuts. Thus, in a year in which the fiscal outlook made further tax cuts impossible, he could make little progress in reducing the level of perks.

Likely attack

If the Tory economic policy works, and Sir Geoffrey is able to bring down income tax bands in, say, 1983, he is likely to be tempted to renew his attack.

There is evidence that, despite the Government disapproval of the perks system, companies are still actively looking for new ways to reward key executives.

According to a survey of 200 public companies, conducted before the Budget by the London executvie search group, John Courtis and Partners, fewer than 10 per cent of companies were planning to reduce or eliminate fringe benefits ahead of the Budget. Less than 20 per cent were planning to replace any benefits which did become taxable in the Budget with commensurate salary increases.

There are no precise figures as to how Britain compares with other nations, in the provision of motor cars to company employees. According to the research organisation, Imbucon, about 80 per cent of senior management—including chief executives, deputies and heads of function—use company cars in Britain.

In Belgium and the Netherlands, the comparable figure is about 50 pjer cent, while in France it is between 40 and 45 per cent.

Other comparisons

Lower down the scale, about 35 per cent of senior management in Italy and West Germany have company cars, against a figure of 30 per cent in Switzerland and Spain. By emparison, there are few company cars in the U.S., Australia, Canada and the Scandinavian countries.

In most other developed countries, employess are taxed directly on the benefit of the private mileage in a company car. This is usually calculated by establishing the proportion of private to total mileake and assessing the benefit as this proportion of the overall standing charge and operating costs of the car.

This approach was used in Britain until 1976. By then, however, the number of company cars was growing so fast that the Government, for administrative simplicity, introduced a standard scale of benefit. Two countries have also tinkered with this system. Australia introduced a "standby value" similar to the UK scale in 1974, although it was repealed before it went into effect. In Ireland, there were also attempts to make special rules for administrative simplicity. Scales were used in 1976-77 and 1977-78, before being abandoned.

Most countries follow the U.S. pattern in adding on the fair market value of the benefit to salaries, for tax purposes, and deducting tax. In Canada, the private use of company cars is charged on a sliding scale, rising from a minimum of 12 per cent of its capital cost.

In Australia, less expensive cars are assessed at an annual rate of 12 per cent of the capital cost, while the more expensive models are assessed at a swingeing 24 per cent.

In West Germany and France, the private mileage proportion is used. In South Africa, the present system, under which the authorities ask the employers for an estimate of the annual benefit, will probably be changed under the likely new fringe benefits legislation.

Last summer's Inland Revenue paper in the UK said that 80 per cent of the total value of fringe benefits were accounted for by the provision of company cars, and, for this reason, the Government felt it appropriate to begin with this sector. The paper added that, in 1978, 70 per cent of new cars were sold to the business sector, or 1.1m.

This implies that there are between 1.5m and 2m company cars in use in Britain, and, of these, slightly less than 0.5m are provided for higher-paid staff and directors. At least 1m escape tax because they are supplied to those earning less than £8,500 and therefore exempt under the legislation.

The main proposals of the paper were that the scale should be increased to a figure broadly equivalent to the value of the benefit, as measured by the AA estimates of the cost of running a car. This would increase the scale figure for a car of less than 1300 cc, for instance, from £190 to £594. Also, the Revenue paper argued that there was a strong case for abolishing the £8,500 threshold, so that the benefit from company cars would be taxable whatever the salary of the employer.

Despite Sir Geoffrey's argument that parks were a reaction to high tax levels in the past, and that with the top rates reduced in his first Budget, non-cash remuneration should be phased out, the Inland Revenue paper was savaged when it was published. The Institute of Directors and Confederation of British Industry were prominent in the attack. And, in September, Sir Geoffrey promised that there would be no precipitate action.

Although more salesmen choose Ford cars in Britain—or have Fords chosen for them—"directors prefer BL," according to one survey of 858 British companies. Above: BL's Marina

In the Budget, the main impact of the drive against perks was directed against non-auto items. Scales affecting the provision of items such as suits and TV sets, were raised, as were the benefit of cheap loans.

However, as well as the modest 20 per cent increase in the car scale, Sir Geoffrey also fired a warning shot about the £8,500 threshold. He said: "The case for abolishing this threshhold has been pressed upon us. I have asked the Inland Revenue to consult employers and others about the administrative problems that might be involved in such a change."

The Inland Revenue has made plain that the earliest it could introduce this change is in the next financial year. And the tone of Sir Geoffrey's announcement makes it seem that he is determined to push it through. While the scale rates remain far from realistic, this will still mean that many employees—possibly more than 1m—could face a tax charge on the benefit of company cars for the first time, next year.

While there will no doubt be some stiff opposition to the move, it could present the first real blow to the onward march of the company car.

David Freud

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More than 1,000 heavy-duty trucks, mostly all from Mercedes-Benz, are operated by Algeria's State-owned haulage company, SNTR, for regular trips across the Sahara. The boom for the Algerians began when the Nigerian port of Lagos became overburdened and it became economical to operate a land route from Algiers to Kano. The truck, above, is part of the "steel caravan" carrying pipes needed for the water mains in Northern Nigeria

The growing complexity of fleet insurance

THE NEED for fleet operators to insure their vehicles on a comprehensive basis should be axiomatic. Insurance, merely to meet the legal requirements, is not enough. The operator needs to ensure that a series of accidents do not put him out of business. Hence fleet insurance should be on a comprehensive basis.

The rating of risks in fleet insurance differs widely from the small operator, with just a few vehicles, to the major company with thousands of vehicles. Insurers will rate a small operator, with, say, 10 vehicles or less ,on the rating system that is familiar to private motorists. The premium charged will depen don the make of lorry, the areas of operation and other relevant factors.

But once the fleet grows to a larger size, then the rating moves onto an individual fleet basis, reflecting the past claims experience of that particular fleet. The risks involved are greater than with a private car. The vehicles are in constant use, often with drivers working on a shift system.

The rating will depend on many factors, the most important being the size of the fleet, the extent of the operations and the nature of the business. The insurers tend to work on a 70 per cent loss ratio, that is, they underwrite for paying out £70 in claims for each £100 received in premium, the remainder going on broker's commission and expenses.

Inflation, as always, is the maih underlying factor in a rating assessment. Motor claim costs tend to rise faster than price inflation. Labour costs, the costs of new vehicles and spare parts tend to run ahead of prices.

Competition for this type of business is keen, with insurers being attracted by the large amount of premium income generated. This produces useful investment income, especially in these days of high interest rates. Even the major fleets tends to use just one insurer and not to split the insurance between various companies and Lloyd's syndicates. Thus, the rates quoted tend to be very competitive as insurers endeavour to capture or retain the business.

It is the common practice for each fleet insurance to be put out for quotation each year and the lowest rate secures the business. Some fleet operators will stay with one insurer out of loyalty, if they are satisfied with the service. But cost pressures usually determine where the insurance is placed.

The insurers endeavour to keep premiums rates down to a reasonable level by operating excesses. Here the operator meets the first part of any claim. This cuts out the small claim which sends administration costs soaring.

Wide range

The level of excess can range from as little as £25, for a small operator, to thousands of pounds for the major operators. The proper use of excesses can provide considerable savings for both the operator and the insurer.

The major operators can make further savings by self-insuring some of the risks being incurred. The 70 per cent claims ratio is a powerful incentive to take the self-insurance route. But it is one that needs a high degree of professional advice. After all, the size of unit of risk, that is the individual vehicle, grows larger each year.

The role of the insurance broker is paramount in the field of fleet insurance. His function now extends far beyond simply finding the best premium quotation in the market.

The broker would advise his client on the various covers required, what level of excesses the operator could easily carry and what savings this would produce. Since the ultimate premium rating depends on the experience of the operator, the broker would advise on means of minimising the risks involved. For example, he might advise that more driver training was required or certain security precautions at the operator's depots.

The insurers are prepared to offer a pre-insurance service to operators covering inspections—to check maintenance procedures and premise security.

The large brokers are now very much tied in with self-insurance and regard it as one of their functions to advise clients on whether to operate a degree of self-insurance and to handle the administration if the client does carry part of the risk himself.

The broker is very much involved in handling the claims settlements for his clients. In particular, he would advise on the recovery of loss through common law procedures. With the premium rating on an individual experience basis, the operator needs to recover as much as he can from the other parties involved through the due processes of the law, rather than claim the recovery from his insurers. This represents a major difference between private motor insurance and fleet insurance handling.

Middle East

These days, operators are extending their areas of operation across the Channel, ranging as far as the Middle East. Insurers issue green cards to their clients in the normal way and it is the broker's task to ensure that the insurance contract covers risks overseas as it covers risks in the UK. The multinational nature of British insurers means that they are familiar with insurance requirements overseas and have a network of local agents that can deal with claims virtually on the spot.

The arranging of insurance cover for journeys beyond Western Europe is much more complex. In all East European countries, insurance has to be placed through the State insurance agency. There is not the same degree of recipjrocal arrangements as in Western Europe.

Once the journey extends into Midle Eastern countries, then insurers become very wary. The nature of the problems encountered are not fully known and there have been some dubious operators undertaking these journeys. Insurers tend to be cautious over granting insurance. Premiums are high and the cover is limited.

The insurance of the contents of the vehicle—goods in transit insurance—is a separate insurance needed by the operator. He needs to cover loss or damage of the goods while being tanrsported and his liability towards the owner of the goods.

The hijacking of vehicles was rampant in the mid-1970s and insurers experienced heavy losses over this period. The use of anti-theft devices has cut down the number of hijacks.

Insurers now impose warranties on their insurance contracts, so that drivers have to leave their vehicles in lorry parks overnight. These parks provide a high degree of security against the casual theft and the outright hijack.

The number of losses has come down significantly from the peak of the mid-1970s, although pilfering remains a problem. The insurance cover almost invariably carries a general excess, a typical level being £25. With contained business, the insurers are still endeavouring to solve adequately the problem of containers arriving at their destination short of some of the contents as listed in the invoice.

Again, rating tends to be on an experience basis and this is also a very competitive market. Not only is the premium income attractive, but there is general market over-capacity. Rates are cut to the bone in the scramble to win or retain business.

Finally, operators need insurance to cover their liability to the public, especially if the goods carried can be classified as hazardous. The more lurid media articles have virtually gloted over the "doomwatch situations" that could arise. But such cover is needed.

Eric Short

Car rental market grows steadily

THE MAJOR event of the year in the car rental sector was undoubtedly the proposed acquisition of the UK, Dutch and Spanish car hire interests of Godfrey Davis, by Europcar, the vehicle rental arm of the French Renault group, in a £22m deal.

Europcar, which is based at Clamart, near Paris, is already the largest European-owned vehicle rental group. It is represented in 57 territories in Africa, the Middle East, and Europe.

The development brought a spirit of interest from all parties in the car rental business, if for no other reason than that Godfrey Davis is already near the top, if not actually at the top of the league table of car hire companies in Britain. The new relationship with Europe's largest all-European vehicle rental group is certain to cause ripples throughout the British sector as the other leading operators, such as the all-British Swan National group and U.S.-based Hertz and Avis, assess the likely impact on a market which continues to be highly competitive.

The deal with Europcar is to be accompanied by changes in the way Godfrey Davis is organised. The company is to form two new holding companies, a hire company—to be the subject of the bid from Europcar—and a trade company, which Godfrey Davis will retain.

Dealerships

The trade company is expected to continue the existing business of the Ford main dealerships held by Godfrey Davis and contract hire, mobile homes and other leisure operations.

Midland Bank Industrial Investments is to take a minority share in the capital of the new Godfrey Davis-Europcar company, which will be based on 200 existing Godfrey David car rental branches.

The reaction of the other large car hire companies to the changes at Godfrey Davis cannot be gauged until the reformed Davis-Europcar group makes clear its own marketing strategy.

But one thing is certain—the car rental market is in for one of its most testing periods. Already, a spate of full-page advertisements by the leading rental companies have appeared as summer approaches.

The advertisements aim to capture some of the limelight from the car manufacturers which are themselves fighting the early stages in what may turn out to be a full scale price war—led, perhaps unexpectedly, by BL, with its highly successful price-cutting offers.

Demand is holding up well in the new car market and the signs of growth in car rental are not at all obvious.

Exact figures for market growth are difficult to assess, since an estimated 60 per cent of car rental companies are those outside the league of the big names.

These smaller companies are generally based locally and few have extensive national networks. They take a pride in offering a personal service and other conveniences which have an immediate appead to many customers.

But this has to be balanced against the flexibiliy offered by he larger car hire companies. One-way hire, for example, is ofen a "mus" for business ravellers demanding he door-odoor services which only a car can provide.

Speed of response from the large car hire companies is also a regular demand. One leading car hire company executive said earlier this year that the last thing he wanted was for his customers to pay cash. The buusiness traveller would probably agree—cash transactions can be slow. Credit cards are also relatively slow, but until the advent of direct debiting, this ha sto be tolerated by hose travellers without personal company arrangements with hire companies or who do not operate through travel agents.

On the other hand, cash payments are favoured by the local car hire operators. The payments involved are often much smaller than would be the average for the longer distance, longer term rentals from the large hire companies.

Company arrangements for staff wishing to use hire cars on company business are usually based on a central billing system. This is practiced by Avis, for example, and is only offered to companies.

The basis of the approach is simple and of direct benefit to business travellers in a hurry.

Each time a car is hired by a company staff member on business, the invoices are forwarded to the company as a monthly account.

Charge cards

Personal charge cards carry the name of the company and the address for sending accounts.

The other standard approach for the business traveller caters particularly for those who do not travel frequently or regularly. The car hire company sends an invoice immediately to the personal charge card address.

Major credit cards are accepted by the large car hire companies and some issue their own credit cards. This was partly a development to encourage customers to use one particular car hire service and also as a way of speeding up the initial hire agreement between customer and hire company.

The arrangement provides some improved convenience for travellers, but for those people working for companies with central billing agreements with hire companies, hire-car credit cards have proved to be superfluous.

Some hire companies even have reciprocal credit card arrangements with competing car hire companies—cards are interchangeable. This may have the effect of increasing the market for car rental, by increasing the choice available, but it may have the adverse effect, for the separate companies, of reducing the loyalty of the customer to one particular company.

Lynton McLain

International haulage services (above) and the expanding range of roll-on/roll-off shipping services are vital to UK Netherlands trade. Ferrymasters, for example, established in Holland since the mid-1960s, operates a fleet of more than 2,000 load-carrying units. Left: A London tourist takes delivery of a hire car from Gillian MacKenzie, outside the Avis Belgravia branch

Rise in UK-continental haulage

THE VOLUME of international roll-on/roll-off traffic from Britain to the Continent continues to rise despite seasonal fluctuations and a low level of activity in much of manufacturing industry. The latest figures from the Trade Department show that in the third quarter last year a total of 147,500 road goods vehicles were carried by roll-on/roll-off (ro/ro) ferries. This represented a 15 per cent increase over the same period in 1978.

The figures for the first nine months of last year show that the movement of goods vehicles through British ports bound for Continental Europe was running at 17 per cent above the corresponding period in 1978. Powered goods vehicles accounted for just over half—79,200—of the total and over last year the numbers of this type of lorry increased at a faster rate than unaccompanied trailers. Much of this growth appears to have come in the third quarter. The growth rate for powered vehicles over the first nine months, however, fell in comparison with the market growth as a whole.

In the first quarter of last year unaccompanied vehicle traffic fell, but this was counterbalanced by a sharp increase in the number of foreign-powered vehicles carried by roll-on/roll-off ferries. These foreign-powered vehicles accounted for 28 per cent of total triffic in the first quarter last year, compared with a 22 per cent share for the whole of 1978.

The strike by the driver members of the Transport and General Workers' Union over the winter of 1979 is widely accepted to have caused the short-lived upsurge in foreign-powered traffic.

Major share

In the third quarter, however, British-registered-powered vehicles took the major share of the market—54 per cent. A third of vehicles were registered in other countries of the European Community, and 6 per cent elsewhere. French vehicles, with 16 per cent of the traffic from Britain to the continent, were the largest single group of foreign-registered vehicles.

However, the 54 per cent of the powered traffic which was also accounted for by UK-registered vehicles over the whole nine-month period represented a fall from the 58 per cent share in the same period in 1978. This effectively reversed the trend in the five years since 1973, when most of the growth in the market was accounted for by a rising fleet of British international goods vehicles.

The Trade Department said that the latest results showed that the dominance of the ports in the Dover Straits as the main outlet for ro-ro traffic may have started to diminish. In the first half of the year these ports carried 41 per cent of all goods ro-ro traffic and 65 per cent of all powered traffic.

This compared to 43 per cent and 69 per cent in the first half of 1978, and the slight decline has been largely accounted for by a growth in the use of ports on the east coast. However, the ports on the Channel have seen a faster growth in the numbers of unaccompanied trailers.

In general the buoyancy of the market for British registered road goods vehicles travelling abroad partly reflects the success of the UK haulage industry in winning overseas haulage contracts and partly to increased Government success in winning more international permits for UK haulage companies.

Most of the international haulage in Europe is controlled by a number of bilateral agreements between member countries of the EEC and between these countries and non-member countries.

These bilateral agreements set quotas for the total number of transit and terminating journeys which may be undertaken by hauliers of the countries involved.

Permit system

A small but rising volume of international haulage also takes place under permit arrangements operated by the EEC and by the European Conference of Ministers of Transport. These arrangements are designed to simplify the procedures for haulage between countries within these two organisations. The few permits which are so far available authorise companies to take part in haulage operations without restriction in the area of the issuing authority.

These permits are almost always needed only for public haulage companies — those whose sole business is plying for work carrying other company's foods. Companies which operate lorries on their own account are generally not restricted by either bilateral or multilateral agreements.

The British Government has had a number of successes in winning more permits for Britain's international hauliers.

Recent successes include the agreement with Australia. In March Austria agreed to allow Britain to have 250 more haulage permits, bringing the total to 3,950 in 1980. Bilateral agreements were also reached with France and Italy, which gave Britain 20 per cent more permits—up to 51,500 tonnage will now be permitted to France—and with Germany where 75 per cent more was granted to a new total of 16,500 permits. At least 20,000 permits are planned for 1981.

A more modest success, but one which the British haulage industry welcomed, was the award of an extra 63 permits for EEC haulage operations, last December. The Council of European Ministers of Transport agreed that this would be Britain's shareof the new quota—up by 20 per cent—for EEC road haulage permits for 1980.

These permits are valuable assets for hauliers. They are valid for one year and enable hauliers to make any number of journeys between EEC member countries.

L.Mc.

Tough period ahead for the road haulage industry

BRITAIN'S ROAD hauliers face a difficult year. Bankruptcies and redundancies are widely expected among the smaller operators as this typical service industry fights to survive against events beyond its control in the world of commerce and manufacturing.

Growth in demand for road haulage services is static and may even be falling—a response to the sluggish performance of much of manufacturing industry.

As a result, hauliers have found they have considerable excess capacity, possibly as much as 10 per cent in their lorry fleets.

This has led to a widespread bout of rate cutting by operators intent on surviving the slump. In turn this has led to cries from the trade association for the industry, the Road Haulage Association, that member companies should cut the size of their fleets in an attempt at an across-the-board solution to the damaging rate-cutting.

Statistics for the industry are notoriously difficult to locate in any year under consideration and the industrial effect of the call to cut fleet size will only be evident through a stabilisation in rates. Later, official Government figures may show how serious the downturn in demand for haulage services has been for Britain's operators.

Double problem

The industry faced a difficult year even before it began. The problems of low demand and excess capacity are common to much of manufacturing industry, but the hauliers started the year with a double disadvantage.

The year was hardly a day old when steel workers employed by the British Steel Corporation started a national strike over pay.

The corporation may have lost a tenth of its home market for steel as a result of the strike, while manufacturing industry survived. In contrast, road hauliers, and, to a lesser extent, British Rail, took the brunt of the side effects and more than 10,000 lorries were laid up. These lorries normally account for a high proportion of the 75 per cent of all iron and steel movements which go by road.

The steel strike came at a time when Britains hauliers had already started to consider programmes of retrenchment in attempts to be financially fit for the expected underlying down turn in demand for haulage services.

The industry had barely recovered from the strike by driver members of the Transport and General Workers' Union in January, 1979, when it was hit again by the strike in the engineering industry, in the autumn.

Demand for lorry transport improved seasonally, at Christmas, but the underlying pattern was of a steady falling off in demand.

These changes in the economic fortunes of the haulage industry have come at a time when once again it is under the public microscope of a Government inquiry, this time into the place of the lorry in society and the environment. The inquiry, conducted by Sir Arthur Armitage, of Manchester University, is expected to come to a conclusion about the case for or against heavier lorries.

The decision is widely expected to form the basis of future Government policy towards the heavy lorry, possibly to the end of the century. Another inquiry into the industry would be deeply resented by hauliers so the Armitage recommendation on lorry weights is likely to be the last word for some time.

This is because the road haulage industry has been under a number of wide-ranging inquiries over the past two years. The former Price Commission conducted a major survey into the "Road Haulage Industry" in October, 1978; and the Foster Committee, set up to look at road haulage operators' licencing, reported with a detailed account of how

Foster made 44 major and 47 minor recommendations about how the regulation of the industry could be improved. The Government is expected to publish its response to Foster possibly before the summer. However, many of the Foster Committee's recommendations for changes which would affect the environmental impact of lorries are to be considered separately by the Armitage committee, for publication also in the summer.

The investigation by the Price Commission showed that the industry had already gone through a difficult period for trading. The Commission's report showed that profit margins in the industry has been squeezed over the period 1975-77 in most sectors and among all sizes of operator as hauliers.

Familiar ring

The resason for the poor performance has a familiar ring to it. The Commission said "hauliers have not found it possible to pass on in charges the full extent of rises in direct costs."

This is again happening. Mr. John Silbermann, the chairman of the Road Haulage Association earlier this month urged hauliers to pass on higher costs, including those fgor fuel, which rose 15 per cent in the three months to April 1. He made his plea against a background where some hauliers are absorbing costs increases in an attempt to keep their rates competitive, often with the result that for some contracts costs are not covered.

These glomy economic indicators provide the background to a number of substantial structural changes that are now underway in the road transport industry.

hTe most immediately obvious changes are those proposed in the Government's Transport Bill. The Government want to de-nationalise the State-owned National Freight Corporation, form it into a company under the Companies Act and eventually sell off shares to the private sector including the company's employees.

The first stage — to form the corporation into a company — is expected to be completed son after the Bill becomes law, perhaps by the summer. The timetable for selling shares is to be decided by Mr. Norman Fowler, Transport Minister, in collaboration with the board of the new company.

The timing of the decision is likely to be a highly sensitive matter, with the board not anxious for a share float until the road haulage market picks up. The Government, on the other hand, is likely to favour an early sale of shares, in line with its commitment to reduce the public sector borrowing requirement.

The stock market will watch developments with interest, if only because the proposed float of shares in a re-formed National Freight Corporation with its 50 subsidiary companies — would have the effect of creating a stock market sector where none now exists.

The company formed from the National Freight Corporation would then have to compete for investors funds with the Transport Development Group, the biggest and most comparable transport company now quoted on the stock market.

Group turnover

The Transport Development Group had a turnover of £219m in 1978 and operating profits of £20.9m from its 150 operating subsidiaries.

The State Corporation made its first net profit (£300,000) in 1978, from an operating profit of £20m on total turnover of £406.7m.

These results were after the Corporation had been restructured financially under the Transport Act, 1978. The Act reduced the Corporation's debts to the Government to £100m.

The latest Transport Bill proposes to write off this "commencing capital debt" and all outstanding loans from the Transport Minister before the Corporation is made into a company and shares sold.

Lynton McLain

The British Government is awaiting the outcome of an inquiry, being led by Sir Arthur Armitage, above, on the place of the lorry in society and the environment.

Mr. John Silbermann, above, the chairman of the UK's Road Haulage Association, earlier this month urged hauliers to pass on higher costs, including those for fuel, which increased 15 per cent in the three months to April 1.

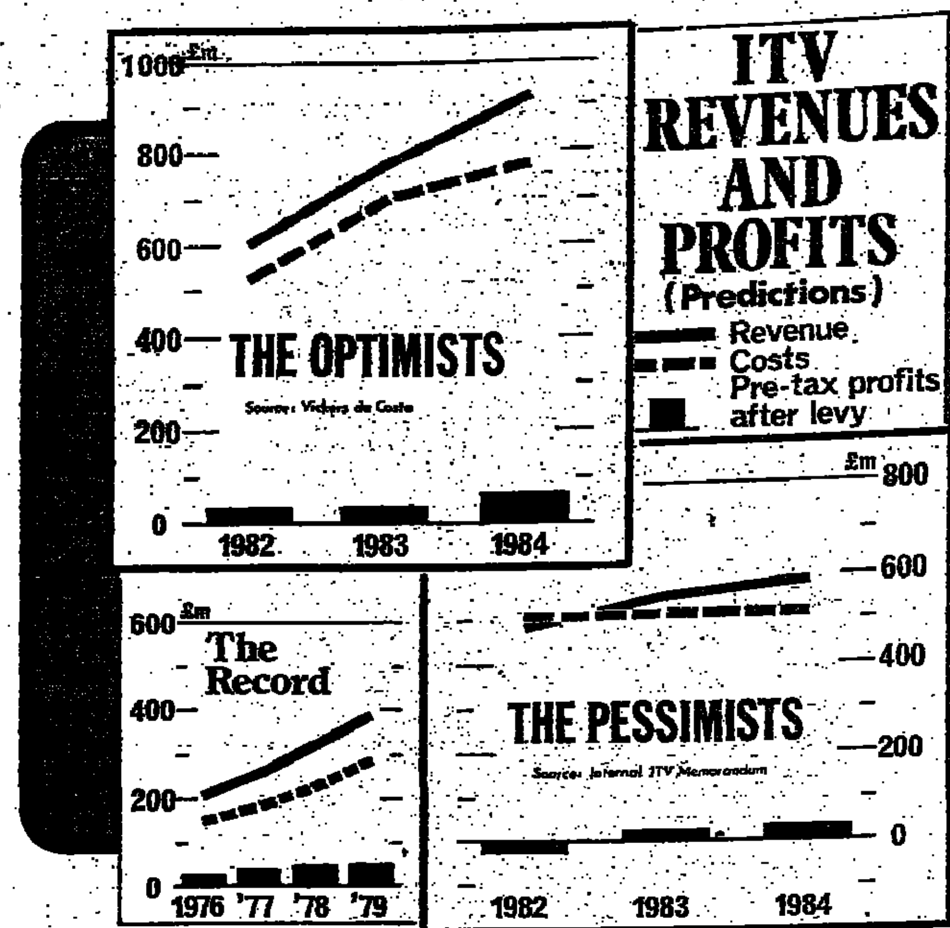
Mr. John Butcher, MP for S.W. Coventry, waves from the cab of a large truck en route from London to Dusseldorf, in Germany. He is on a fact-finding mission to find out the problems that face British truck drivers in terms of documentation and paper-work when crossing border points in Europe. He calls his mission "Operation Red Tape"

This three-axle "Tridem" Trailor TIR trailer is built for operation at a gross trailer weight of 32 tonne and will work at a gross weight of 40 tonnes, where laws permit. The vehicle, above, provides regular service for UK exporters to France and Italy

THE TV FRANCHISE BATTLE

Seeking a licence to 'lose' money

BY ARTHUR SANDLES



DESPITE frantic efforts on the part of established commercial television contractors to prove that their "licence to print money" is now a myth, the queue of contenders for the new franchises is proving remarkably long.

It is of little comfort to the present 15 contract holders that the weekend probably saw the final steps in the elaborate courtship ritulas of the past month. With May 9 the day when contract bids have to be submitted to the Independent Broadcasting Authority, and the IBA's searching but preliminary questions answered, there is little time for further manoeuvring. By this morning most bidders will be committed.

Unless the weekend produced some rapid revised thinking, it looks as if very few franchise holders are going to escape without a battle. Channel (the smallest company) and Thames (the largest) may have a walkover, as might Grampian. Next best bets for a clear run are London Weekend, Tyne Tees and possibly HTV.

The toughest fights are likely to be in the Southern TV area, where there is promise of lots of bids, and East Anglia where Anglia Television — long regarded as one of the best of the smaller companies—is endangered simply because of the impressive muscle of the rival bidders.

Most votes for the weakest defender go to ATV, which faces a determined attack from Mr. Stuart Wilson, the one-time television magnate who for some time has been knocking at the door to make his return.

If there was a poll for the most unpopular name among television executives at the moment it would probably be stockbrokers Vickers da Costa. Just as industry pessimism was beginning to gain acceptance Vicker da Costa came out with predictions that things might get a little slack in 1981/82 but would recover spectacularly in the mid-1980s. Franchise holders brows furrowed at the words: "We could see an extremely buoyant period of profitability in the mid 1980s."

As if this were not bad enough for people trying to deter likely competition there then came the prediction: "Current dividends should be able to be at least maintained until around 1983/84 when considerably improved payouts should be possible. The combination of high yield, highly valued (by an incoming licensce) assets and medium-term prospects of high profitability is attractive set aagainst the outlook for manufacturing industry."

'we have cried wolf... many times before'...

This is in complete contrast to a document currently being circulated within ITV which takes an extremely gloomy view of the 1980s. "1980 advertising revenue in real terms is expected to be down on the 1979 level (after adjusting for the strike) and with the poor economic outlook it is assumed that this decline will continue to 1982 and 1983 (the actual decline is estimated at 5 per cent in 1982 and 2.5 per cent in 1983) followed by a return to the 1980 level in 1984.

"The total pre-tax profit for the eight years (for which the new contracts will run) on this basis is £175m and taking the capital employed in the industry at a conservative £375m with an additional £75m at least required, the average return is just under 5 per cent a year."

There then comes a sting in the report, which was prepared for some ITV companies by outside accountants. "After corporation tax and a modest plough back there will be little left for dividend." It goes on: "In the case of a new contractor with loan capital to service then the situation would be even worse, especially if current interest rates continue."

The problem for the television companies at the moment is that very few people outside the industry are prepared to believe this sort of talk. "We have to admit," says Thames, "that we have cried wolf a great many times before; and we have been wrong. This time we really do believe it ourselves."

So why are any of the present contractors persisting in their applications for re-appointment? There is certainly no sign that any of the franchise holders will not be on the IBA doorstep on May 9.

"This would at first sight appear to be a contradiction," came the response from a contractor unwilling to be quoted in public debate before the IBA fires the official starting gun. "But on closer examination the present contractors do have substantial capietal employed—£375m being a conservative estimate — and if any of them do not re-apply they could be selling their assets at a fraction of their current replacement value. Even in a voluntary sale to a new contractor the value obtained could be poor." These assets have mostly been built up out of profits ploughed back during the last 20 years so, even with the low profitability for the next contract period, it still makes sense for the mto continue rather than to sell."

The eight-year franchise period, which runs from 1982, is an essential part of the companies' pessimistic calculations, particularly since there are very few forecasters who are optimistic about Britain's economy for the first few of thoe years. However, it is generally assumed that you have to be extremely unlucky, or inept, to lose a television licence these days. In the present round of bidding there would be surprise if more than one television contractor lost a franchise, and astonishment if the total rose to three.

Perhaps the real risk to most contractors is that they will find themselves required to take on unwelcome bedmates. The IBA has the power to insist that any contract winner receives his franchis eonly if he accepts investment and personnel from a rival bidder. Clearly there are strong justifications for this. In a closely fought battle both, or several, sides may have strengths which the IBA would like to see represented in the final consortium.

It is widely assumed within television that the IBA's introduction of the prospect of breakfast television was a move made at short notice simply to add a bit of novelty to this round of bids. Teasing about the Authority's cautious conservatism, it is said, was beginning to sting. If breakfast television was offered as a light hearted aside then it is a joker which, in many eyes, has taken on the dimensions of an ace. So many bids are likely, and so impressive the bidders, that the Authority is going to have problems wriggling out of a promise at least to consider the prospect.

...an ecstasy of plans... most destined to be paper dreams

The list of contenders is long and growing. Lord Lever and Jonathon Dimpleby, backed by assorted newspapers and the Post Office Pension Fund; Lord Grade's Associated Communications Corporation; a group of television professionals with support from Philips and IPC; and various independent local radio stations, tempted no doubt by the highly profitable ground they have found in commercial radio, are all sitting on the IBA's doorstep clutching their bids. Others are bound to emerge on bid day. The Authority is going to have to argue long and hard to prove that, they have all done their sums wrong.

It will have considerable encouragement in this from the present franchise holders, who find themeselves in a major dilemma. For a present contractor to start breakfast television on the sort of scale which would attract audiences might be prohibitively expensive — although Thames Television, as the richest franchise holder will probably be telling the IBA that it plans to do just that. Generally, however, the present franchise holders see their reveneues likely to be diluted seriously by breakfast television, and the fourth channel, but they are unable to do much about it except lobby.

The agony of this lobbying is that the more they show how serious the impact of breakfast television would be on total network revenue, the more they indicate that the morning shows would be highly profitable. Internal ITV figures suggest a loss of mainstream revenue to breakfast TV of £12m in the first year of operation and £15m therearter. To this figure would have to be added "new" revenue (that which was apparently not spent elsewhere) and advertising wooed away from newspapers, magazines and radio.

Life is not made any easier for the present contractors by the fact that making a bid is a relatively inexpensive exercise. Mr. Stuart Wilson's contention for ATV's Midlands franchise will probably cost some £100,000, and his is one of the more sophisticated and professional. Wilson has been through all this before. He was at the heart of the successful Yorkshire Television bid in 1967 and stayed in various senior posts with that company and its Trident parent until 1977.

The £100,000 has already been underwritten by International Publishing Corporation, Radio Tele-Luxembourg and various investment companies associated with Touche Remnant and Co. Singer and Friedlander, which is handling the financial side of the exercise, cautiously contradicts established TV company views of near future profitability, commenting:—

"It should be noted that the Government has substantial power to influence the profits of commercial television companies through changes in the method of operating the ITV levy. However, historically, the existence of the levy has not prevented the great majority of commercial television contractors from making significant profits and from paying appropriate dividends."

The prospect of such "significant profits" and "appropriate dividends" in the future has sent contenders into an ecstacy of plans and proposals, most of which are inevitably destined to be paper dreams. Television South, which is mounting a formidable assault on the lucrative Southern Television franchise (its bank is Henry Ansbacher), has already had architects Norman and Dawbarn produce "detailed plans for a new purpose built studio complex" in the new Kent-East Sussex region which is to be part of the new enlarged franchise area.

Television South was set up two years ago, with Mr. James Gatward, an independent television producer, as its leading light. The Board includes former Minister Lord Boston, MP, and industrialist Mr. Keith Wickenden (European Ferries) and Baroness Sharples.

The IBA has set itself a formidable task for the forthcoming year. Having screened its applications it then has the problem of lengthy interviews with each of the candidate groups, and there would quite easily be more than 40 of them. Decisions should emerge at the turn of the year and the new contractors—who will be predominantly the old contractors—will then have about 18 months to get on the air.

When the IBA opens its post on May 9 there are bound to be one or two surprises. Not only will some unpredicted names emerge, but there is also considerable interest in the final form of any worker-group bidding. Although the London Weekend union co-operative appears to have wilted somewhat there is talk of an intriguingly skilful financial package having been put together by Hambros and workers representatives at Yorkshire Television.

It is all clearly going to be much more complicated than IBA chairman Lady Plowden assumed when she set this particular ball rolling.

Letters to the Editor

Accountability and disclosure

From Mr. R. A. Rudd

Sir,—The problems of the pension fund industry in this country will not be dealt with by making it, or the trustees, responsible to such bodies as the Bank of England, the Council for the Securities Industry or yet another new but essentially similar body, as Christine Moir suggests in the article "The case for new pension fund guidelines" (April 9).

The solution can only come from the experience of the much larger industry in America. The heart of the question is accountability. Trustees and the managers whom they appoint are accountable to the beneficiaries, the pensioners, whose assets it is they are managing. To make trustees accountable to some third body would be to obscure that direct accountability. Anything which does that must be moving in the wrong direction. What the American legislation relevant to the industry has done is to sharpen that accountability by making it possible for the individual beneficiary to seek legal redress against the individual trustee of his pension fund if he can prove that the trustee has acted "imprudently" and to his detriment.

Far from this legislation having stultified the pension industry in America, as your correspondence suggests, it has sharpened it up immensely.

But this has only been possible because of the degree of disclosure enforced on pension funds in the U.S. It is a fatal flaw in our existing arrangements here that pension funds should not be required to file their accounts, state what their investments are and demonstrate their performance. There can be no accountability without disclosure. That clearly is the first step which is required in the UK. Once the industry is operating under the clear light of day and everyone can see what is going on, then the comparison can start. Trustees can then see what their managers are doing for them compared with how the managers of other funds are performing. So can the beneficiaries. And the managers themselves will inevitably be on their mettle.

In America, all concerned have been able to match the claims being made for management against the actual performance. And it is here that the revelation has come.

It has turned out, for instance, that only a minority of managers have been beating the market averages. Trustees have found that in some cases they have been paying their managers substantial fees to run portfolios which have in fact been invested almost wholly in stocks representative of the indices. These "closet index funds" have been so similar to overt index funds that trustees have questioned whether they should be paying such large fees. Moreover, the active management of such funds has often resulted in transaction costs which have pulled down performance to below that achieved by the averages.

There has been a great period of questioning in the American industry, leading to a considerable improvement in self-knowledge. In turn this has been made possible by putting all the relevant data on to computers and, with the help of the appropriate software packages, the consequent ability of institutions, trustees and managers alike to carry their management techniques to very refined lengths indeed. This enabled them to produce really sophisticated controls over risk and performance.

With respect to your article, it is in this area that work needs to be done in the UK. Certainly, accountants have to audit the results but accountants, unless they have been appropriately trained, have little to offer in the specialised field of the management of large funds.

Once trustees begin to ask the right questions for instance: what risks are my managers taking to produce their performance? How do they measure this risk? How closely do their recommended funds resemble the FT indices? What proportion of performance was augmented by the transactions which they entered into last year? and so forth, then the industry will have to respond by using appropriate techniques, including those of risk analysis (or modern portfolio theory as it is called). These techniques are now readily available in the UK.

Tony Rudd.
Rowe Rudd and Co.,
63 London Wall, EC2.

Working on the railways

From Mr. D. Margretts

Sir,—May I, as an ex-railwayman who is thoroughly relieved at "not working on the railways," comment on your editorial bearing that slogan of April 8.

At the outbreak of the last war, an engine driver was considered the very cream of blue collar society with a weekly wage of 90 shillings, well over double that of the miner, the docker and the factory hand.

At the same time, the railways, at least the Great Western, provided the cheapest, the safest and the most reliable form of transport, used by the bulk of the population. Yet today, they are under-utilised, costly and manned by staff who are the most poorly paid of all the industries brought under public ownership, and this despite the enormous sums of public money that have been lavished on them.

The investment in such expensive assets, however, is useless unless full and proper use is being made of them, but it is seriously open to doubt whether full and proper use is being made of the considerable assets of British Railways, an indictment well illustrated by a conversation I overheard some months ago between an engine driver and a steelworker who were both hostile to British Steel's policy of using a fleet of privately owned lorries to carry their products to car assembly plants.

Sir Charles Villiers, Sir Peter Parker and Sir Michael Edwardes should all realise that one freight train can transport 50 times the load of a lorry with 25 times less staff, with considerable economies of fuel and power, and with less pollution and congestion on our roads.

If proper notice is taken of this simple equation, then perhaps many of the problems illustrated in your editorial would diminish, the railway staff would recover the status and wages which are their due and the public would be endowed with a transport system that is much more sensible and much less expensive

D. W. Margretts.
Justitiestraat, 59, Bus No 3, 2000 Antwerpen, Belgium.

Education in London

From Mr. J. Marshall, MEP

Sir,—I was amazed by your editorial defence (April 14) of the Inner London Education Authority concept based upon the assumption that "a coalition of smaller (education authorities) is likely to provide a less good service, at higher cost." This assertion runs in the face of all the evidence.

You admit that "ILEA has not taught well." I believe that the only way to improve standards is to make the education authorities directly accountable to the electorate. ILEA has remained blissfully oblivious to criticism, standards and parental wishes.

The real answer to the conundrum of ILEA is the performance of the outer London boroughs who are able to run a more economical and more successful service than ILEA. If Brent, Harringey and Barnet are suitable as education authorities why not Islington, Westminster and Kensington.

Differences in the product of a penny can be dealt with by the rate support grant while the unequal distribution of polytechnics can be solved by pooling (which applies to much of their present expenditure) and by the RSG.

ILEA has failed the parents, pupils and ratepayers of inner London. It should be abolished and the inner London boroughs placed on a par with the outer London boroughs.

John Marshall.
50, Queen Anne's Grove, Ealing, W5.

A view from Wandsworth

From the convenor, Wandsworth Liberal Education Working Party.

Sir,—A working party of members of the four Wandsworth Liberal Associations has considered the Conservative proposals for the break-up of ILEA and has concluded that what is needed is not dissolution but reform.

The working party, representative of teachers at various levels, administrators, parents and school governors, took the view that powerful arguments would be needed to justify a major change of organisation and administration which would add to the heavy pressures on the education service. It decided that the balance of argument was firmly in favour of the retention of ILEA. But this decision did not imply an endorsement of the existing situation.

While acknowledging that, in many respects, ILEA has been a forward-looking organisation the working party recommended that, to meet complaints of excessive bureaucracy, there should be an investigation of all aspects of the work of the authority by an independent commission. This commission should include experienced educationists and administrators together with representatives of community and parent groups.

ILEA is unique in local government and in considering its accountability the working party thought it appropriate to suggest unique arrangements for its election. It recommended that members of ILEA should be elected directly to have a specific responsibility for education. The large proportion of public funds devoted to education justifies election of representatives with a duty to be concerned primarily with education. This responsibility would include monitoring use of funds and effectiveness of the education service. Education is a complex and wide-ranging field and needs the attention of informed and dedicated people to give critical but positive support. Directly elected members should have a role associated with their respective divisional offices and would be expected to be sensitive to local feeling in their areas.

A further recommendation of the working party was that there should be a greater sharing by teachers, parents and the local community in the life of schools.

H. Wall.
79 Ellerton Road, S.W.18.

Coated steels in cars

From the Manager, Market Development, BSC Strip Mill Products, British Steel Corp.

Sir,—The article by John Griffiths (April 10) about corrosion in cars and Lancia in particular, deserves comment.

Corrosion in road vehicles has been recognised as a problem by manufacturers and steel makers for many years and a great deal of effort has gone into improving performance in this respect.

BSC strip mills continue to grammes with vehicle manufacpursue active development proturers. We are clear that to conquer vehicle corrosion certainly does not mean "the elimination of steel bodies"; the basis of corrosion protection must be the greater use of coated steels regardless of any new pain processes or wax injection methods used by manufacturers. The increasing use of coated steels reinforces this.

British Steel Corporation.
BSC Strip Mill Products.
P.O. Box 10.
Newport, Gwent.

EEC computer technology

From Mr. G. Waller, MP

Sir,—In the continuing debate over the effects of imports on UK manufacturing industry, a vital factor is the increasing co-operation between British and EEC-based companies.

The computer industry is a case in point. Recent statements made by ICL in supporting a Community-based computer industry show the way to curb the dominance of the United States and Japan in Europe. The furtherance of commercial links and technical agreements within the EEC will surely help in the resurgence of British industrial performance.

Such co-operation will not only have the beneficial effect of reducing import costs but will also give an impetus to both British and EEC computer technology.

Gary Waller.
House of Commons, SW1.

Today's Events

GENERAL

UK: Mrs. Margaret Thatcher speaks at Birmingham Chamber of Commerce banquet, NEC, Birmingham.

Scottish Trades Union Congress meets, Perth (until April 25).

National Dairymen's Association conference, Harrogate.

Prince Charles joins a freezer trawler fishing off the north-west coast of Scotland.

Federation of Civil Engineering Contractors annual dinner, Harrogate.

Final day of Association of Professional, Executive and Computer Staff annual conference, Scarborough.

Amalgamated Union of Engineering Workers' national conference, Blackpool.

Mr. Roy Hattersley, environment spokesman, and Mr. Peter Snape, defence spokesman, attend Labour Party meeting, Tipton, Staffs.

Mr. Neil Kinnock, Opposition education spokesman, at Hendon South Labour Party meeting.

International Fire, Security and Safety Exhibition and Conference opens, Olympia (until April 25).

Overseas: EEC Finance, Foreign Affairs and Agriculture Ministers' meetings, Luxembourg.

International Olympic Committee executive meets, Lausanne (until April 24).

OFFICIAL STATISTICS

Cyclical indicators for the UK economy (March). Industrial and commercial companies' appropriation account, net acquisition of financial assets and net borrowing requirement

PARLIAMENTARY BUSINESS

House of Commons: Supply Day debate on problems of the North West until 7 pm. Supply Day debate on Yorkshire.

House of Lords: Consular Fees Bill, third reading. Social Security Bill, committee.

Select Committees: Home Affairs, Subject: Public order. Witnesses: TUC, British Board of Deputies. Room 8, 4.30 pm. Treasury and Civil Service. Subject Budget and public expenditure White Paper. Witnesses: Governor of the Bank of England. Room 15, 5 pm.

COMPANY MEETINGS

See Financial Diary on Page 25.

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Wm. Collins capable of returning to profits

THE BENEFITS which will arise in 1980 from a slimmer, more efficient operation means William Collins and Sons (Holdings) is now capable of returning to profitability, says Mr. W. J. Collis, chairman, in his annual statement.

The group has a strong publishing list for the autumn but trading conditions continue to be difficult, and the unfavourable factors affecting the British book publishing industry are likely to be prevalent throughout the year, he adds.

There was a turnround to pre-tax losses of £255,000 in 1979, compared with profits of £3.35m previously. No dividend is being paid for the year. Payment of an interim for 1980 will be considered in the light of the half-year results, the chairman says.

Actions taken during the year to restore profitability resulted in exceptional costs of £3.1m, offset by exceptional gains of £3.2m from the sale and lease-back of freehold properties.

Some 550 jobs were lost in the group, mainly the Glasgow manufacturing division. Since the year end productivity has improved on that saide, but furher discussions and difficult decisions lie ahead towards further essential progress, the chairman says.

Within the publishing divisions, action has been taken to reduce stock levels and improve profitability. In certain areas of children's and home and leisure publishing, publishing programmes have been drastically reduced.

In Australia, changes in marketing strategies and pricing policies, together with tighter control imposed on stocks and overheads, should return the company to profits in 1980.

Throughout the group, the chairman adds, there has been a tighter control on working capital and capital expenditure, while operating costs in all areas have drastically pruned.

Early results from the Nationwide Book Service, which started trading inthe U.K. last autumn, are encouraging and the directors are confident this will become a successful and prflotable venture over the next few years. The book club is a partnership with Collins, Albert Bonniers Forlag of Stockholm, William Heinemann and Martin Secker and Warburg.

The benefits from the Collins English Dictionary launched last year should increase significantly in the future.

Group fixed assets amounted to £19.45m (£20.65m). Current assets were down from £39.94m to £37.33m, including cash and short-term loans of £1.38m (£83,000). Current liabilities totalled £17.68m (£18.9m).

On March 19, Stoke Albany Trustees held 17.28 per cent of the capital and Crossburn Trustees, 16.02 per cent.

Meeting, Glasgow, on May 14 at 11 am.

Hepworth Ceramic steel losses

WHATEVER happens in the rest of the year, the steel strike has meant that Hepworth Ceramic Holdings has suffered losses which will be irrecoverable, Mr. Peter Goodall, chairman, tells shareholders in his annual statement.

The effects on subsidiary GR-Stein Refractories are appalling, and on British Industrial Sand, the plastics division and the UK end of Fordath, profound. As in 1979 and 1978, industrial action is going to prevent the group fulfilling its potential, he adds.

As reported on March 21, pre-tax profits rose from £30.41m to £36.17m and the dividend is increased to 5p (3.685p).

Fixed assets at the balance sheet date stood at £89.23m (£68.07m) and net current assets at £91.47m (£71.22m). Net liquid funds increased by £9.61m (£1.35m reduction). Capital commitments amounted to £13.7m (£26.6m), of which £8.1m (£13.8m) had been authorised but not placed.

Meeting, Charing Cross Hotel, WC, May 14 at noon.

Legal & General goes for gilts

THE UK life fund of the Legal and General Assurance Society, invested the major part of its new money in the gilt market last year.

Viscount Caldecote, the chairman, tells members in his 1979 annual statement with accounts that £215m was put into gilts and a further £55m into equities.

But there was a net dis-investment of £9m in property, with £9m of new property acquired being offset by £18m of sales made as part of the continuing programme of rationalisation.

Lord Caldecote points out that the relative strength of property values and the active management of the portfolio has resulted in the proportion of property within the portfolio remaining at 30 per cent.

Overall, premium income of the long-term insurance fund of Legal and General rose only marginally in 1979 from £478m to £482m. But, investment income advanced by nearly 18 per cent to £320m (£272m).

Claims and expenses were also marginally higher at £316m, compared with £303m. After a transfer of £14.5m to the profit and loss account, the long-term fund at the end of 1979 stood at £3.3bn, against £2.88bn at the beginning of the year.

The UK life fund prdouced a record yield of 12.54 per cent.

The chairman says that the launch of a pre-retirement counselling service has been well received by employers, recognising that more was needed to be done in preparing employees for retirement.

The group will also continue to emphasise to employers and trustees the desirability of giving pensioners some protection against inflation by providing for regular increases in pensions.

Lord Caldecote also welcomes the continuing discussions on the need to provide better protection for the deferred pension rights of people who change jobs.

Reasonable start for Church & Co.

The current year has started reasonably well for most group companies, says M. I. B. Church, chairman of Church and Co., in his annual statement.

But home trade orders received by the two UK manufacturing companies of this footwear concern are down. As a result, Cheaneys has had to work a small amount of short time, he adds.

With the current high interest rates, all retailers are cutting high interest rates, all retailers are cutting back their stocks as much as possible, and this must affect the level of orders coming to the group's factories.

However, retail business in its own shops is satisfactory at present and the directors are cautiously optimistic about the year, particularly if interest rates fall.

Pre-tax profits reacher a record £3.11m (£2.79m) in 1979, as reported on March 22.

Meeting, Northampton, May 9, at noon.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims—Land Investors, Messina (Transvaal) Development, Wade Potteries.

Finals—George M. Callender, Clement Clarke, Electrical and Industrial Securities, Executex Clothes, London United Investments, M.D.W., Maple, Revertex Chemicals, Wadkin.

FUTURE DATES

Interims—	
British Assets Trust	Apr. 23
Gomme	May 7
Lyles (S)	Apr. 28
Finals—	
Atkins Brothers (Hosiery)	June 3
Bank of Ireland	May 14
Belgrave (Blackheath)	Apr. 24
Duncan (Wltr.) and Goodricke	Apr. 25
Foster (John)	May 15
Futura	Apr. 25
Haden Carrier	Apr. 24
Hill (Charles) of Bristol	Apr. 22
Maxim's	Apr. 22
More O'Ferrall	†May 12
Nurdin and Peacock	Apr. 28
Office and Electronic Machines	Apr. 23
Roberts Adlard	Apr. 29
Runciman (Walter)	May 13
Viking Resources Trust	Apr. 25

† Amended.

BIDS AND DEALS

Grand Met offer gets under way

Grand Metropolitan's tender offer for Liggett started on Friday following the overruling of local Acts by Federal Law.

A North Carolina judge has ruled that Federal Law requiring Grand Met to proceed with its takeover of the U.S. tobacco and spirits company has precedence over the state's law requiring a 30-day waiting period.

On Friday Grand Met filed a registration statement in South Carolina to comply with the Disclosure Act of that State and the Securities Commissioner issued an order accelerating the time on which the offer could be made to April 18.

Grand Met is to hold a meeting on Mayq 12 to seek shareholders' approval. The tender offer is scheduled to expire on May 15 but may be extended.

The offer for the common stock of Liggett is $50 cash per share.

Grand Met is also offering to purchase the $5.25 convertible preference stock at $114.94 cash and the 7 per cent preferred stock at $67.50 cash.

Morgan Stanley and Co. Inc of New York is acting as dealer manager for the offer, and both S. G. Warburg, London, and Morgan Stanley are acting as financial advisers to Grand Met.

SHARE STAKES

Scottish Metropolitan Property—H. Walton, director, has disposed of 115,000 shares.

Drake and Scull Holdings—M. Abbott, chairman, has sold 70,000 ordinary reducing holding to 472,250. D. A. Malevez, joint deputy chairman, has sold 80,000 ordinary reducing beneficial holding to 204,650.

Pentos—Sun Life Assurance has increased its holding to 495,488 deferre dordinary shares (6.2 per cent).

Spencer Clark Metal Industries—Rothschild Investment Trust disposed of its beneficial holding of 540,000 shares o nApril 8.

British Car Auction—Interest in the ordinary shares of Caffyns has been reduced to 222,000 (6.85 per cent).

SMITH WHITWORTH

Smith Whitworth has sold its subsidiary Isaac Butter-Worth (Ironfounders), to Quantrate of Rochdale. The consideration is to be the net asset value of the company at March 31, expected to be about £25,000, plus an additional £7,500.

CROWN HOUSE

Crown House has acquired the 19 per cent minority shareholding of Mr. W. F. Rawson in Wheeler Martin (Pty.), its subsidiary in South Africa, bringing group interest to 95.3 per cent.

Negotiations to acquire the remaining 4.7 per cent are in hand.

Norwest Holst unconditional

The bid for Norwest Holst Holdings by Dunham Mount Holdings has become unconditional in spite of a last-minute bid to delay the takeover by Norwest's former chief executive Mr. Ted Brian.

The bid, which had been extended on Takeover Panel orders from March 31, was accepted in respect of 3.82m ordinary shares representing 96.6 per cent of the equity and 69,000 partly paid ordinary shares (71.9 per cent). Most shareholders have opted for cash.

Dunham Mount still faces, however, Mr. Brian's petition to wind it up, a move he has made as a 25 per cent shareholder in DM.

NO PROBE

The proposed merger between Dunhill-Logida and Asprey and Co. is not to be referred to the Monopolies and Mergers Commission.

More dollars for Scottish Investment

To obtain overseas finance, Scottish Investment Trust has exchanged £4.52m for US.$10m received. Under the agreement the company will receive some £70,000 per annum at present exchange rates and the principal amounts will be re-exchanged in 1986.

These dollars will be used partly to repay amounts drawn under the existing line of credit facility as they fall due and partly to increase investment overseas.

A total of $23.5m has now been obtained through a reciprocal loan and currency exchanges. The equivalent of $16m has been drawn to date under the multi-currency line of credit facility.

SPAIN

1980 High	1980 Low		April 18 Price %
228	205	Banco Bilbao	220
258	220	Banco Central	248
220	206	Banco Exterior	[illegible]
228	208	Banco Hispano	[illegible]
137	127	Banco Ind. Cat.	127
175	149	Banco Madrid	149
274	239	Banco Santander	258
190	146	Banco Urquijo	146
238	209	Banco Vizcaya	226
209	200	Banco Zaragoza	204
106	100	Dragados	100
62	58	Espanola Zinc	62
59	43.2	Fecsa	58.7
40	25	Gal. Preciados	29.5
65.7	58.7	Hidrola	64.2
63	57.5	Iberduero	58.7
120	106.2	Petroleos	107.5
73	59	Petroliber	59
115	107	Sogefisa	107
57	53	Telefonica	54
66.2	58.2	Union Elect.	63

Companies and Markets

UK COMPANY NEWS

Boddingtons' wants more outlets to expand trade

THE directors of Boddingtons' Breweries are anxious to acquire outlets both to replace those lost and to expand trade within the group's own area, preferably where representation is either limited or non-existent, says Mr. Ewart Boddington, chairman, in his annual statement.

Four such houses were bought during 1979 and all are trading satisfactorily.

On the marketing side, the policy remains one of expansion, and additional sales staff are to be recruited during 1980.

Last year saw the launch of the group's bitter beer in non-returnable widemouth bottles and the subsequent arrangement for canning enabling the supply of bitter in large cans in time for Christmas. The directors expect increased sales for these and Bodkans during the current year.

The directors believe that having a light coloured bitter, cheaper in price and served cool, will enable the group to continue to compete effectively with a rising lager market.

The brewery development, which has cost £3.27m, will be almost completed this summer and the site allows for further expansion.

Pre-tax profits rose from £3.1m to £4.01m in 1979, as reported on March 21. The net total dividend is stepped up to 3.75p (2.91p) and a one-for-two scrip issue is also proposed.

Group fixed assets totalled £29.01m (£27.03m) at the year-end. Current assets rose from £3.41m to £3.65m, including cash at bank and in hand of £24,000 (£498,000). Current liabilities amounted to £4.14m (£4.02m), with bank overdraft at £0.36m (nil). Working capital fell by £170,000 (£992,000).

Whitbread Investment Company held 26.4 per cent of the capital at balance date.

Meeting, Manchester, on May 8 at 11.45 am.

Kleinwort shortening continues

IN HIS annual statement Mr. Robert Henderson, chairman of Kleinwort Benson Lonsdale, says that abroad the bank has continued its policy of shortening the maturity of its asset book, since the margins which can be earned on medium-term lending seem hardly commensurate with the risks and work involved.

Kleinwort's investment management company finished its first full year of operation with an increased number of pension funds and international accounts but profitability here will be adversely affected by the loss of the investment currency dealings following the abolition of exchange control, he says.

Kleinwort has made a £2.62m provision in its 1979 accounts against the "lifebelt" it threw to its associate M and G Group (Holdings) last December over a tax claim.

As known Kleinwort agreed to provide funds up to £5m towards a potential £7m tax claim against M and G Endowment and Pension Assurance Company in exchange for an option to subscribe for M and G's shares and convertible unsecured loans stock which could on conversion lift the bank's stake in the unit trust company from around 37 per cent to a controlling interest of 51 per cent.

For 1979 Kleinwort showed profit up from £9.08m to £12.1m net of transfer to inner reserves and tax. The M and G provision is included in an extraordinary debit of £3.33m (£794,000 credit).

At the end of the year Kleinwort's cash, bullion and other liquid assets were up from £689.8m to £880.3m, and advances and other accounts stood at £651.2m (£494.5m). Customer's bullion deposits amounted to £444.3m (£113.7m) and acceptances to £334.2m (£243.9m).

The net dividend is raised to 6.5p (4.6p), as reported with results.

Meeting, 20, Fenchurch Street, EC on May 13 at noon.

BTR plans to spend more

Capital investment at BTR, including additional working capital, topped £35m during 1979 and substantial further spending is planned this year, says Sir David Nicolson, chairman, in his annual statement.

Shareholders' interests rose by some £14m to £149.26m at the end of 1979. Revaluations of assets in the eastern and western regions, which will be incorporated in the 1980 accounts, will add around £20m to that figure, he adds.

to operate at a conservative level, interest charges were covered more than 12 times by available profit in 1979 and there is much scope for facilities to finance further growth of the business this year, he says.

FT Share Service

The following security has been added to the Share Information Service appearing in the Financial Times:—

Leichardt Exploration (Section: Mines—Australian).

IN BRIEF

ALBANY INVESTMENT TRUST—Final dividend for year to February 29, 1980, 1.1p making 1.65p (1.34p), plus special dividend of 0.27p. Net revenue £105,881 (£74,147) after tax of £52,332 (£40,054). Investments £2.51m (£2.09m), net asset value per share 48.32p (42.37p). *Meeting, Liverpool, June 27 at 2.30 pm.

ASH AND LACY (metal stockholder and perforator)—Results for 1979, and prospects, reported April 10 in full preliminary statement. Historic pre-tax profit of £2.59m reduced to £1.77m on CCA basis. Group fixed assets £4.89m (£4.56m). Net current assets £7.72m (£6.43m). Short-term government securities £1.48m (nil). Short-term deposits £1.07m (£0.2m). Bank loans and overdrafts £1.77m (£0.34m). Working capital increased by £0.57m (£0.12m decrease). Meting, Telford, May 13 at 11.45 am.

BRITISH EMPIRE SECURITIES AND GENERAL TRUST—Interim dividend for half-year to March 31, 1980, 0.2p net (0.18p). Net revenue £146,089 (£128,213) before tax of £43,934 (£41,190). Net asset value per share 16.4p (16.9p).

BRITISH SIDAC (manufacturer of transparent cellulose film)—1979 sales £52.34m (£46.2m), pre-tax profit £1.94m (£1.79m), tax £0.55m (£0.59m), extraordinary debits £0.5m (£0.51m). Company is a subsidiary of UCB (Investments).

LONDON AND MONTROSE INVESTMENT TRUST—Income for six months to March 31, 1980, £729,605 (£596,227). Expenses £41,808 (£33,941). Debenture interest £8,428 (£8,553). Tax £230,303 (£228,640). Net asset value per share 249.1p (280.9p). Interim dividend (2p), already announced and paid.

MOLINS (tobacco, paper and packaging machinery manufacturer)—Results for 1979, and prospects, reported March 20 in full preliminary statement. Historic pre-tax profit of £11m (£11.6m) reduced to £5.2m (£5.8m) on CCA basis. Group fixed assets £31.87m (£31.14m). Current assets £72.04m (£66.3m) including cash less short-term borrowings £2.47m (£4.54m). Current liabilities £29.25m (£25.09m). Working capital and liquid funds increased by £1.04m (£0.27m decrease). Directors' planning, in 1980 and beyond, to increase level of capital expenditure to provide modern facilities in all group's locations. Meeting, London Press Centre, EC, April 23, at 12.15 pm.

IBSTOCK BUILDING PRODUCTS (subsidiary of Ibstock Johnsen)—Turnover for 1979 (£24.81m (£26.01m). Profit £4.76m (£3.92m) before tax £1.69m (£1.71m).

INTERNATIONAL BONDS

BY FRANCIS GHILES

U-turn takes market by surprise

THE EXPLOSIVE rally last week in the Eurodollar bond market was viewed in open disbelief by many bondhouses. The market was ill prepared, despite the rally which had set in the week after Easter, if only because the past nine months have left such a trail of blood and destruction.

The week began quietly enough, but on Wednesday two factors proved to be a potent mixture. One of the market's favourite gurus, Dr. Henry Kaufman of Salomon Brothers, said that the recession in the U.S. was now under way. The same day, Chase Manhattan Bank cut its prime lending rate by ½ per cent to 19½ per cent. A wind of optimism swept across Wall Street which, on this side of the Atlantic, led to a deluge of new orders to buy bonds.

At first, prices were pushed up by the relative scarcity of new paper—much of the batch of new issues announced after Easter had already been placed—but the launch of $540m worth of new dollar denominated bonds did little to dampen the market's enthusiasm, at least until Friday when prices dropped back by about one point.

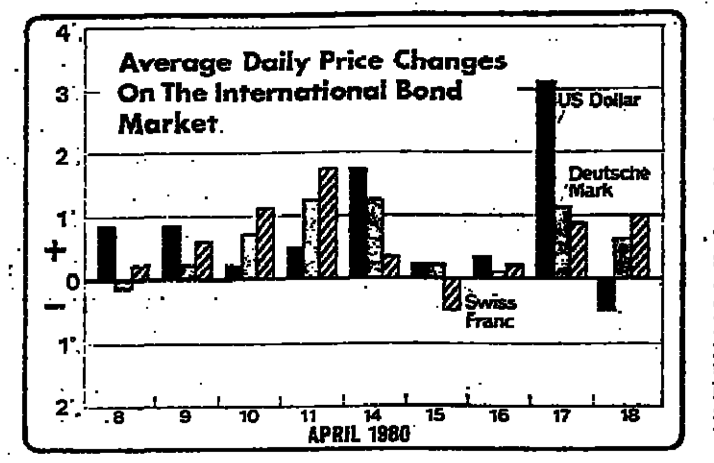
The virtual absence of investors selling bonds meant that only houses which were managing new issues were able to respond to the huge appetite for paper. Dealers in a number of other houses were confined to trading with each other in 100 bonds. At least two well respected houses claimed to have sold $100m worth of paper in five trading days.

Not all dealers were agreed as to who was buying. Some dealers were themselves buyers in order to get out of their short positions and build up their books. A number of dealers noted however, that some investors bought paper and sold it the next day, intent on making a quick profit rather than in looking in money long term.

Profit taking emerged on Thursday and Friday but, with U.S. prime rates coming down by a further ½ per cent to 19½ per cent for many U.S. banks on Friday, some market participants were bracing themselves for some good trading activity this week. Eurodollar rate fell every day last week, shedding between 1⅛ and 1¾ per cent over a fiveday period.

After so many dismal months of minimal activity, dealers were relieved to find the market had not continued its slow drift into oblivion. A total of $1.19bn worth of new issues, $935m of which are accounted for by fixed interest dollar bonds, have been arranged in the dollar sector since Easter, the highest figure over a two-week period since last June.

Some houses did particularly wel, such as Goldman Sachs, bringing three new issues to the market in one day. One of those three, the straight $85m issue for Caisse Nationale des Autoroutes, apears to have been snapped up by investors even before some market participants knew that it had been launched.



Most of the buying activity was concentrated on new issues—the terms of which were quickly renedered generous to the investor. But some older issues were keenly sought, and bought, but at a price. Average price rises on the week worked out at five points, with some individual issues moving up by as much as 7 points.

Six of the eight new dollar issues were for U.S. corporations: the fear of a credit crunch in the U.S. coupled with the fact that borrowing via Eurobonds rather than U.S. domestic bonds is cheaper proved irresistable to many a U.S. corporate treasurer.

Whatever the volume of new issues this week, a number of interesting swap opportunities are available as yields offered on outstanding issues in the secondary market are highly erratic, presenting no logical pattern.

The good state of the market enabled Sweden to sell a further tranche of its tap issue amounting to $100m. This brings to total volume of paper of this $500m issue, $125m of which was floated just before Easter, to $400m. The Canadian dollar sector was reopened with a C$30m issue for Tordom, through Morgan Stanley.

The hard currency sectors also witnessed some solid buying, Deutsche Mark foreign bonds rising more than 3 points on the week and Swiss franc bonds more than 2 points. The rise in D-Mark bond prices, which pushed yields on outstanding issues down to an average of 9 per cent on Friday evening, surprised dealers. They had not expected to see the yields fall so fast. In general, the view remains that there is little room for a further decline in German interest rates for the time being.

The main interest is coming from German domestic investors attracted by the high coupon levels available on new issues. Two further bonds, a DM300m two tranche for the EIB and a DM100m for Denmark were launched last week. This brings the total of new D-Mark foreign issues arranged since the last Capital Markets Sub-Committee meeting three weeks ago to DM1.24m.

The figure of new issues initially agreed to for the following month was DM'00m.

A third Norwegian krone denominated bond was launched last week, for the Norwegian Mortgage Asociation, and the next French franc bond, for the United States of Mexico, is expected later this week through Societe Generale.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life Years	Coupon %	Price	Lead Manager	Offer yield
U.S. DOLLARS							
‡SNCF (g'teed France)	50	1987	7	13½	100	Chemical Bank	13.750
‡EIB	100	1990	7.6	13½	99½	Hambros	13.845
GTE Finance NV (g'teed GTE Products)	50	1987	7	13½	100	Salomon Bros.	13.750
§American Medical Intl. NV	50	1995	15	8	100	S. G. Warburg	8.000
Portland General Electric NV (g'teed Portland General Electric)	50	1987	6	15	*	Dean Witter Reynolds	*
†North West Industries	50	1987	7	13⅜	100	Orion Bank	13.625
†Banco Nacnl. de Mexico	40	1987	7	6¼	100	CSFB	6.348
‡J. C. Penney O'seas Capital NV (g'teed J. C. Penney O'seas Fin. Corp.)	75	1985	5	13½	100	CSFB	13.500
‡J. C. Penney O'seas Capital NV (g'teed J. C. Penney O'seas Fin. Corp.)	25	1985	5	13½	100	CSFB, Deutsche Bank	13.500
§Nicor O'seas Fin. N.V. (g'teed Nicor)	40	1995	15	11	100	Goldman Sachs	11.000
‡Caisse Natnl. des Autoroutes (g'teed France)	85	1995	10.8	12¾	100	Goldman Sachs, Caisse des Depots et Consigntns.	12.750
Dome Petroleum	50	1992	8.7	13½	100	Morgan Stanley	13.500
McGraw-Edison	75	1985	5	13½	99¾	Goldman Sachs	13.572
D-MARKS							
‡Asian Devel. Bank	200	1990	10	10	100	Deutsche Bank	10.000
‡EIB	200	1990	10	9½	100	Deutsche Bank	9.500
‡EIB	100	1986	6	9¼	100	Deutsche Bank	9.250
‡**Kingdom of Denmark	100	1990	10	9½	100	WestLB	9.500
SWISS FRANCS							
‡Buhrmann-Tetterode	50	1990	—	7	100	Banque Gutzwiller, ABN	7.000
‡**Onoda Cement	20	1985	—	7¼	100	UBS	7.250
**World Bank	100	1986	—	7	100	Credit Suisse	7.000
**Nippon Suisan (g'teed IBJ)	30	1985	—	7¼	100	Credit Suisse	7.250
CANADIAN DOLLARS							
Tordom Corp. (g'teed Toronto Dom. Bank)	30	1985	5	14	100	Morgan Stanley	14.000
NORWEGIAN KRONER							
‡Norwegian Mort. Assn.	100	1988	5½	10½	100	Den Norske	10.500

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ○ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase Fund.
Note: Yields are calculated on AIBD basis.

U.S. BONDS

BY DAVID LASCELLES

Caution after euphoria

The U.S. credit markets bounced back strongly last week as it appeared that the long awaited peak in interest rates had finally been reached. But the euphoria evaporated in the closing hours of trading, as investors heeded a couple of warnings from economists:

- Credit demand will remain strong for some months despite the decline in short-term rates, and economic activity.
- The Fed is unlikely to ease the monetary reigns at its Open Market Committee meeting tomorrow.

The record gain on bond prices came on Wednesday as Chase Manhattan cut its prime rate from 20 per cent to 19½ per cent, a move which gove a well poised market the tiny nudge it needed. Long bonds gained up to five points in a few hours, and short-term rates (which had been edging downwards for a couple of weeks) dropped half a percentage point or more (the prime was later cut to 19½ per cent by most banks).

But the rally evidently owed more to the huge sense of relief that swept through the market that day than to a cool assessment of where things go next. Because once the market did take stock of the future its ardour cooled noticeably, and the rally petered out.

The main point with which investors must now contend is that the peak in short-term rates does not automatically herald a long-term rally in the bond market despite mounting evidence that the economy is going into what could be a severe recession.

Past cycles have shown that if anything, business loan demand remains strong after the cyclical peak as companies have to finance inventories and compensate for their weakening sales. This time round the picture is darkened by the huge demands that the Government will place on the market in the months to come. Salomon Brothers estimated last week that U.S. Treasury borrowings for the rest of this year will be up by 32 per cent on the same period last year.

Indeed, there are even fears that the rally may go into reverse. In their weekly money market report, Chase economists Philip Braverman, and James Kocken warn: "In the last two cycles the early recession declines in bond yields were completely reversed in a couple of months. The actual cyclical declines did not begin until two and three-quarters (respectively) after the business cycle peak."

Dr. Henry Kaufman of Salomon also commented last week that "the fundamentals for a bond rally of cyclical proportions... are not yet in place." He added that new quality utility issue yields are unlikely to fall below 10½ to 11 per cent unless the ong-term trend of inflation is turned, which he thinks is improbable (these yields were about 12.6 per cent last week).

Economists have also been warning the market not to expect any big change in Fed monetary policy from tomorrow's FOMC meeting. Despite the weakening of the economy and interest rates, the reasoning goes, the Fed will probably prefer to follow rather than lead the market.

Nevertheless, the latest money supply figures are encouraging. The most widely followed measure, M-1B, fell by $1.1bn to $390.4bn in the latest reporting week, despite the surge that had been expected because of seasonal factors. M-1A, the narrower measure, fell by $1.7bn. This means that M-1A is now within the Fed's annual target range and M-1B only slightly above it. Both are within the shorter term range. The money supply report also showed a drop in loan demand and bank reserves.

U.S. INTEREST RATES

	Week to Apr 18	Week to Apr 11
3-month Bill	13.70	13.50
3-month Com. Paper	16.50	17.25
Fed. Funds weekly average	18.15	18.?7
Treas. 30-year bond	10.97	11.54
Long-term AAA utility	11.88	12.63
Long-term AA indust.	11.63	12.38

Source: Salomon Bros. estimates

CREDITS

BY PETER MONTAGNON

Now spreads are floating too

THE FLOATING spread has come to the Eurocredit market. This novel mechanism has been intrduced by European Banking Company, which is organising a club deal fo rthe spanish coal mining concern, Limeisa, a subsidiary of the electric utility, Fenosa.

The credit is for $40m over eight years with four grace. For the first year the spread has been set at ⅞ per cent over Yibor, but thereafter the floating concept takes over.

Each year participating banks will quote a spread based on their assessment of what the market would demand of the borrower if it were to seek the same amount for the maturity remaining.

The actual spread for the year will then be set at the weighted average of these quotations. There is a maximum spread of 1⅜ and a minimum spread of ⅜ per cent.

European Banking Company came up with the idea because of the difficulty in setting terms on credits in current market conditions. The problems for Spanish borrowers became particularly acute earlier in the year as a spate of credits by utility companies cause spreads to leapfrog.

Also in Spain terms were finalised last week for the $350m credit for subsidiaries of the state holding company, INI. As expected the credit is in two tranches. One totalling $290m is for eight years with a spread of ⅝ per cent for the first five years rising to ¾ per cent for the last three. The other, which will not be syndicated, is for $60m over nine years with a split spread of ⅝ and ¾ per cent over five and four years respectively.

There are 10 banks in the managing group, with Banco Exterior responsible for the information memorandum and signing, Chase Manhattan for the books and co-ordination, Deutsche Bank as agent and Lloyds Bank International responsible for loan documentation.

Another long-awaited deal to emerge last week was the $1bn refinancing for Italy's electricity authority, ENEL. This is an eight-year credit with a margin of ⅝ per cent over Libor or ½ per cent over U.S. prime rate. Management fee is ⅜ per cent.

Eight managers have already committed $549m to the credit, which is being organised by Bank of America. It replaces a 10-year deal arranged in 1973 with a spread of 7/16 for four years, 9/16 for the next four and ⅝ per cent for the last two.

Elswhere, Bank of America and o fNova Scotia are raising $63.75m for South Korea over eight years with a split spread of ⅝ and ¾ over four years each. These terms are broadly the same as those on the recent $500m Korea Exchange Bank loan but the terms are not necessarily indicative as the operation is a co-financing with the U.S. Exim Bank and Canada's Export Development Corporation. Proceeds will be used to buy telephone switching equipment.

Back in Europe, eht $450m eight-year credit for the Bank of Greece has been raised to $500m. Bank of Montreal is the agent for this deal which carries a spread of ⅝ per cent.

After a slow start, interest is perking up in the $350m credit for Brazil's Banco Nacional do Desenvolvimento Economico. Two banks have joined the management group being formed by Bank of Montreatl and a number of others are expected to join shortly.

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FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alcoa of Australia 10 89	60	87½	87¾	−1½	+3¼	12.36
Alex Howden XW 9½ 91	50	68	68	0	0	16.03
Australian Res 9⅞ 84	30	90⅜	91⅛	−0⅜	+5¼	12.42
Avco O/S Cap. 10¼ 87	40	80⅜	81	+1⅞	+5½	14.84
Beneficial Fin. 9¾ 87	100	88¼	88⅜	−1	+5⅞	12.21
CECA Grad. Rate 12 86	100	92⅜	93	−1½	+3⅜	13.72
CECA 11¾ 90	50	90⅜	91¼	+0⅝	+3⅜	13.25
Canadian Pacific 9¾ 89	50	88⅜	89½	+0⅞	+6½	11.81
Carter Hawley 9¾ 86	60	88½	88⅞	−1½	+6⅞	12.47
Comalco Inv. E. 10⅜ 91	40	87½	88¼	−1½	+5⅜	12.25
Continental Grp 9⅞ 86	100	89⅛	89⅜	+1⅛	+7	12.14
Dome Petroleum 10 94	60	82	82½	−2	+4⅜	12.75
Dominion Bridge 10⅜ 84	30	91⅛	92⅜	−0⅞	+3⅜	12.82
EIB 11⅜ 92	80	90⅜	91½	−1⅛	+3⅜	13.28
EIB 10.15 99	100	†83¼	83⅜	+3⅜	+4½	12.82
Ekportfin 11⅛ 87	60	93⅜	94¼	−1⅛	+3⅜	12.62
Export Dv. Cpn. 9¾ 84	100	91⅞	93⅛	−0½	+6⅜	11.89
Export Dv. Cpn. 9⅞ 84	150	92⅜	93¼	−0⅜	+6⅞	11.85
Finland 9⅜ 89	100	84½	85	+0⅜	+4½	12.84
GTE Finance 9⅞ 89	55	86½	87	−0⅝	+5	12.21
GMAC 9⅝ 86	100	87½	88	−1⅛	+5⅜	12.17
GMAC O/S Fin. 11 84	100	94⅛	94⅜	−1⅛	+3⅞	12.59
Gould Int. Fin. 9⅞ 85	50	90⅛	90⅜	+0⅜	+3⅜	12.49
ITT Antilles 9½ 89	75	†88	88½	+2	+6⅞	12.08
Kennecott Int. 9½ 86	100	87⅛	87⅝	+0⅝	+5⅜	12.56
Manitoba 9½ 89	75	85¼	85⅜	−0⅞	+6⅜	12.28
Michelin 10 84	125	86⅝	87⅛	−1⅛	+8⅞	11.84
Nat. Des Telecm. 9½ 86	100	88⅜	89⅜	−0⅜	+5⅜	12.12
New Brunswick 9¾ 94	75	83½	84	−0½	+6⅞	12.23
Newfoundland 10 94	50	88¼	88⅜	−0⅜	+7	11.73
Norges Komm. 9⅞ 99	100	82⅜	83⅜	−1⅛	+6⅜	12.54
Norway 9½ 84	150	92½	92⅜	−0⅜	+5⅜	11.99
Nova Scotia Pwr. 9⅞ 89	60	85½	86	−1⅜	+3½	12.45
Occidental Fin 10⅜ 84	50	90⅜	91⅛	−1½	+2⅜	13.20
Pennwalt O/S F 9⅞ 84	75	92	92½	−1⅜	+4⅜	12.24
Pepsico Cap. 9⅜ 84	100	91½	92	−0⅛	+5⅜	12.02
Quebec Hydro 10 99	75	81⅞	82⅜	−1⅜	+3⅜	12.49
Sears Roebuck 9 82	150	94½	95	−0⅛	+3⅜	12.34
Statoil 9⅜ 89	100	87	87½	−1½	+5½	11.86
Sweden 9⅜ 89	100	88⅜	88⅜	0	+6⅜	11.89
Sweden 9½ 86	200	88½	89⅞	−0⅞	+3⅜	12.50
Sweden 9⅞ 84	100	91⅞	92⅜	−1⅜	+3⅜	12.16
Unilever NV 9⅜ 87	100	87⅜	87⅞	−0⅞	+5⅛	11.87
Warner-Lambert 9 84	100	89⅞	90⅜	−1⅛	+5⅛	12.11

Average price changes...On day −0½ on week +5

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 8 87	100	90⅜	91⅛	+0⅛	+0½	9.77
Asian Dev. Bk. 7⅜ 89	100	86⅞	87⅜	+2	+3½	9.35
Australia 8⅛ 90	250	97⅞	98⅜	−0⅜	+2½	8.39
Barclays O'seas 8¼ 89	100	88	89	+0⅜	+5⅜	8.63
BFCE 7⅜ 87	100	93⅜	93⅜	+0⅞	+0½	9.07
BFCE 8½ 95	100	92½	93⅛	+0⅜	+7⅜	8.99
Brazil 8 87	150	88⅜	89⅜	+0⅜	+1¼	10.20
CECA 7 91	150	88¼	88⅞	0	+2½	8.66
Council of Eur. 7⅜ 89	100	89⅞	90⅞	+0⅜	+2½	8.85
Denmark 7⅞ 88	100	93½	94	+0⅞	+0⅜	9.34
Denmark 8⅜ 92	100	94⅛	95⅛	+3½	+5	8.98
EEC 7⅞ 94	225	93	94	+0⅜	+5	8.67
EIB 7⅛ 89	200	92⅜	93⅛	+1⅛	+4⅞	8.68
Finland Rep. of 8 86	150	94½	95½	+1⅜	+2⅜	9.01
Kobe, City of 7⅛ 89	150	89⅛	89⅞	−0⅛	+5	8.79
Neder. Gasunie 8 86	100	95	95	+0⅜	+3	8.91
New Zealand 7⅜ 87	200	91⅜	91⅞	+0⅜	+3½	8.72
Norges Komm. 7⅜ 91	[illegible]	92⅜	93⅜	+0⅜	+5⅜	8.71
Norway 7⅛ 85	250	97⅞	98⅜	+1⅜	+2⅜	7.94
OKB 7⅜ 89	100	89	89⅜	+1	+4⅜	9.08
Oslo, City of 8⅜ 90	90	87½	88½	+2	−0⅞	9.06
World Bank 7⅜ 91	400	91⅜	92½	+0⅜	+3⅜	8.88
World Bank 7⅞ 90	250	92⅜	93½	−0⅜	+2⅜	8.85

Average price changes...On day +0⅜ on week +3⅜

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Argentina 5½ 89	80	89	89½	+0½	+1⅜	7.12
Aumar 5 89	60	91	91⅜	+1⅜	+5	6.26
Australia 3⅜ 89	250	88⅜	89⅛	−0⅛	+0⅜	5.19
Bergen, City of 4⅜ 91	40	87½	88	+1	+1⅞	6.30
BNDE 5 89	75	83½	84	+1⅜	+3	7.49
BMW Overseas 4⅛ 91	100	91	91½	+2	+3⅜	5.28
Caisse Nat. Tele. 4½ 89	100	90⅞	91⅜	+0⅜	+1⅜	5.62
CCCE 5⅜ 90	100	98½	99⅛	+0⅜	+1⅜	5.90
Copenhagen 4½ 91	80	84⅜	85½	+2⅞	+3⅞	6.37
Council of Eur. 5 89	100	89⅜	89⅜	+1⅜	+1⅜	6.50
EIB 4½ 91	100	89⅞	89⅞	+4½	+3⅛	5.78
EIB 4⅞ 94	100	84½	85	+3⅛	+1½	5.99
Elet. de France 4½ 89	100	94	94½	+4	+5	5.17
GZB 4⅛ 89	100	86⅜	87⅛	+0⅜	+1⅜	6.09
Hitt 4½ 91	35	89½	90	+0⅜	+0½	6.47
Int.-Amer. Dev. 4½ 89	100	85⅜	85⅜	+0⅛	+0⅜	4.63
Jutland Tele. 5½ 90	50	99⅜	100⅛	+2⅜	+2⅜	5.53
Malaysia 5 89	80	87⅜	87⅜	+0½	+2⅜	6.83
Nippon Tel. & T. 4⅜ 89	100	92	92½	+0⅜	+1	5.31
Nordic Bank 5 89	45	92⅜	93⅜	+0⅜	0	6.00
Norges Komm. 4⅜ 91	100	87⅜	87⅜	+1⅞	+3⅜	5.90
OKB 3½ 91	100	81⅛	81⅜	−0⅛	+1⅜	6.12
OKB 4⅜ 91	100	86½	87	+0½	+1½	6.00
OKB 6 90	100	100	100⅛	+0⅜	+1½	5.98
Oslo, City of 4½ 91	100	85	85½	+1⅜	+1½	6.20
Shikoku El. Pwr. 4⅜ 89	100	93½	94	−0⅜	−0½	5.62
Stewens 4⅜ 91	60	91	91½	+0⅜	+3	5.83
Voest-Alpine 4⅜ 89	90	92½	93	−0⅜	+4½	5.78
World Bank 4⅜ 89	100	90⅜	90⅜	+0⅜	+1⅞	5.58
World Bank 4½ 89	150	88	88½	+0⅞	+5	6.04
World Bank 4⅜ 91	100	86	86½	+0½	+1⅜	6.33

Average price changes...On day +1 on week +2⅜

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.6 83	30	84½	85⅜	+0½	+2½	10.97
Australia 6½ 88	20	77	78	−0⅜	+4⅜	10.81
EIB 7⅜ 89	12	88	89	−0⅜	+6⅜	9.56
Finland 5.6 83	10	84⅞	85⅜	−0⅞	+4	10.81
Finland 6.8 88	10	78	78	+0⅞	+4	10.94

Average price changes...On day +0½ on week +3⅜

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avco Fin 10⅛ 86 C$	25	78⅜	78⅜	+0⅞	+0⅜	16.03
Bell Canada 10⅞ 88 C$	60	87¼	87⅜	+0⅜	+2⅜	13.75
Cr. Foncier 10⅜ 84 C$	30	86⅞	86⅞	+0⅜	+0⅞	14.74
Ex. Dev. Cpn. 10 84 C$	50	87⅜	88⅛	+0⅞	+2	14.10
Fst. Can. Inv. 10 84 C$	50	86⅜	87⅛	+0⅞	+1⅜	14.47
Hudson Bay 10½ 89 C$	60	83⅜	84⅛	+2½	+5	13.73
Quebec 10⅜ 86 C$	50	86½	87½	+0⅜	+2⅜	13.69
R. Bk. Canada 10 86 C$	40	88⅜	88⅞	+0⅜	+0⅞	13.34
R. Bk. Canada 10 94 C$	40	77⅞	78⅜	+0⅞	+2⅜	13.55
Copenhagen 8⅜ 91 EUA	20	92	93⅜	+1⅞	+4⅜	9.84
M. Bk. Dnmk. 9 91 EUA	25	92⅜	94	+1⅜	+2⅜	9.97
SOFTE 8⅜ 89 EUA	40	82⅛	83½	+0⅜	−0⅜	11.39
U. Bk. Nrwy. 9½ 90 EUA	18	96½	97⅜	−0⅞	−0⅛	9.96
Algemene Bk. 8⅜ 84 Fl	75	95⅞	96⅜	+0⅛	+2½	9.37
Ned. Gasunie 8⅜ 84 Fl	50	96⅜	97	+1½	+4⅜	9.71
Ned. Middbk. 8⅜ 84 Fl	75	95	95½	+1	+1⅞	9.75
Norway 8⅛ 84 Fl	100	94⅜	94⅞	+0⅞	+2⅜	9.97
Norway 8⅜ 84 Fl	100	94⅞	94⅞	+0⅜	+1½	9.84
Philips Lamps 8⅜ 84 Fl	75	95⅜	95⅜	+0⅜	+2⅜	9.72
Air France 11 84 FFr	120	91½	92⅜	−1½	+1⅛	13.43
CECA 14⅛ 85 FFr	150	102⅜	103⅜	+0⅞	+1⅜	13.41
Euratom 9⅜ 87 FFr	150	82⅞	84⅛	−0⅞	+2⅜	13.48
Finland 11 84 FFr	80	91½	93	−0⅜	+2⅞	13.36
Finland 11½ 89 FFr	70	87⅜	89	−0⅜	+3⅜	13.73
Gaz de France 11 84 FFr	150	82⅞	83⅜	−0⅜	+1½	13.09
IBM France 11⅞ 84 FFr	120	93	94⅜	−0⅞	+2⅜	13.72
Renault 9⅜ 85 FFr	100	83⅛	84⅛	+0⅜	+1⅜	14.23
Saint-Gobain 9⅜ 85 FFr	130	83⅛	84⅜	−0⅜	+2⅜	13.87
Solvay et Cie 9⅜ 87 FFr	125	81⅜	82⅜	−0⅞	+4⅜	13.97
Citicorp O/S 13½ 90 £	50	93⅛	93⅞	0	+1½	14.74
EIB 11½ 91 £	25	86⅞	87⅛	+0⅛	+2⅜	13.78
Finance for Ind. 13 91 £	15	91⅞	92⅜	0	+1⅜	14.44
Fin. for Ind. 12½ 89 £	30	88½	89⅜	0	+1⅜	14.76
Fin. for Ind. 14½ 88 £	20	98⅜	98⅞	+0⅜	+2	14.81
Gen. Elec. Co. 12⅜ 89 £	60	91⅛	92	−0⅛	+2	14.20
Indonesia 8⅜ 91 KD	7	†93	93½	0	0	9.75
Mitsubishi 7½ 84 KD	10	†89⅜	90⅜	0	0	10.45
Norges Kom. 7½ 89 KD	12	†93⅜	93⅞	0	0	8.53
Occidental 8⅜ 91 KD	7	†90⅜	90⅜	0	0	9.68
Akzo 9⅜ 87 LuxFr	500	†89½	90⅜	+3	+3½	11.27
Euratom 8 87 LuxFr	500	85⅜	86⅜	0	+2	11.07
Euratom 9⅜ 88 LuxFr	500	96⅜	97⅜	+0⅞	+4	10.38
EIB 9⅜ 88 LuxFr	600	95⅜	96⅜	0	+4⅜	10.46
Volvo 9⅜ 87 LuxFr	500	94⅜	95⅜	+0½	+3⅞	10.97

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bk. 5⅜ 87	0⅜	97⅜	98⅜	2/7	15⅜	15.47
Banco di Roma Int. 6 87	0⅜	98⅜	99⅜	26/4	15⅜	15.93
Bank of Ireland 5⅜ 89	‡0⅜	98⅛	98⅞	21/5	16⅜	16.37
Bank of Tokyo 5⅜ 89	‡0⅜	97½	98	25/4	14.56	14.90
Barclays O/S Inv. 5 90	0⅜	97	97⅜	13/6	14⅜	14.63
Bergen Bk. A/S 6 89	‡0⅜	96⅞	97⅜	29/5	17⅜	17.74
Bque. Indo Suez 5⅜ 89	0⅜	97⅜	97⅞	11/7	14.69	15.06
Citicorp O/S F. 6 94	‡0⅜	98⅜	98⅜	8/6	18.81	18.91
Citicorp O/S F. 83	§‡0	99	99⅜	23/5	16.09	16.18
Citicorp O/S F. 84	‡0	99⅜	99⅜	30/5	16.94	17.02
C. Itoh 5⅜ 87	0⅜	99	99½	18/9	19.44	19.58
Co-operative Bk. 6 86	0⅜	97⅜	98⅛	16/5	15.06	15.37
Creditanstalt 5½ 91	§‡0⅜	98⅛	98⅜	14/6	15.44	15.65
CNT 5⅜ 86	§0⅜	98⅜	98⅜	16/10	18⅜	18.19
GZB 5½ 89	§0⅜	97⅜	98⅜	1/5	14⅜	14.32
Jugobanka 8 89	0⅜	91	91½	23/5	16	17.53
Ind. Bank Japan 5⅜ 87	0⅜	98⅞	99⅜	15/10	18⅜	18.32
LTCB Japan 5⅜ 86	0⅜	97⅜	98⅜	13/6	14⅜	14.56
LTCB Japan 5½ 88	0⅜	96⅜	97⅜	7/6	14.19	14.65
Mfrs. Han. O/S 5⅜ 94	‡0⅜	98⅜	99⅜	30/5	17⅜	17.30
Midland Intl. Fin. 5 89	0⅜	98⅜	98⅜	20/6	15	15.23
Nacional Fin. 6⅜ 88	0⅜	97½	98	25/7	14.69	15.03
Nat. West. 5⅜ 94	§0⅜	98⅜	98⅞	11/10	18⅜	18.38
Nippon Credit 5⅜ 86	0⅜	96⅜	96⅜	12/7	14.44	14.96
Nippon Credit 5⅜ 87	‡0⅜	97⅜	97⅞	6/5	14.69	15.04
Royal Bk. Scot. 5⅜ 94	§‡0⅜	98⅞	99⅜	11/7	18⅜	18.67
Soc. G. de Bque. 5½ 87	0⅜	99⅜	100	3/10	20.06	20.14
Sogenal 5⅜ 89	§0⅜	96⅞	97⅜	13/7	14.44	14.87
Standard Chart. 5⅜ 90	0⅜	96⅜	96⅜	6/9	17⅜	17.46
Sweden 8⅜ 91	‡0⅜	†98	98⅜	18/10	18⅜	18.86
TVO Pwr. 9 91 (D-lock)	0⅜	96½	97⅜	24/5	15.31	15.93
Williams & Glyn 5⅜ 91	0⅜	98	98⅜	14/6	18⅜	18.21
Sq. E. d'Alg. 4⅜ 89 SF	0⅜	98½	99	18/8	6.69	7.54

Average price changes...On day +0½ on week +0⅞

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
AGA Akt'bolag 7⅜ 89	10/79	145	†104	105	+1	−12.25
Ajinomoto 7⅜ 85	2/80	618	91⅜	92⅜	+1	1.87
Alco Int. Fin. 9½ 94	1/80	40	86⅜	87⅜	+0½	35.39
Asahi Optical 7 94	11/79	805	88	89	+0⅜	13.66
Canon 6½ 94	8/79	570	96⅜	97⅜	0	4.13
Ciba-Geigy O/S F. 4 94	9/79	675	70⅜	72⅜	+1	6.38
Credit Suisse 4⅜ 93	10/79	1325	90	91½	−0⅜	0.21
Daiei Inc. 6½ 94	11/79	1020	82⅜	83⅜	+0½	44.37
Esserch Fin. 9½ 94	7/80	30.25	100½	101½	−0⅜	32.19
LPC Internatnl. 8 88	9/79	23.33	84	85½	−0⅜	24.34
Meidensha Elec. 7 94	12/79	210	93½	94½	+0⅞	20.42
Mitsubishi Co. 6½ 94	10/79	804	115⅜	116⅜	−0⅜	12.28
Nippon Seiko 7⅜ 94	12/79	339	102	103	+2⅜	0.99
Nitto Elec. Ind. 6 94	7/79	735	70	71	+0⅜	[illegible]
Toshiba Cpn. 7⅜ 94	10/79	188	90⅜	98⅞	+0⅞	7.48
Union Bk. Switz. 5 89	2/80	125	90½	91⅜	0	−7.28
Fujitsu 5 84 DM	7/79	475	92⅜	93½	+0⅜	15.95
Kansai Elec. 4 84 DM	4/79	1234	84	85	+0⅜	80.82
Tokyu Ld. Co. 4 86 DM	4/79	493	74⅜	75⅜	+0⅜	50.68
Uny Co. 6½ 85 DM	11/79	1071	90⅜	91½	0	49.29

BONDTRADE INDEX AND YIELD

	Medium term		Long term	
Apr. 18	89.28	11.22	78.60	11.86
Apr. 11	87.08	12.11	74.28	12.63
High '80	91.03	(2/1)	89.19	(2/1)
Low '79	86.32	(2/4)	71.54	(29/2)

EUROBOND TURNOVER (nominal value in $m)

	Cedel	Euroclear
U.S. $ bonds		
Last week	661.7	2,422.2
Previous week	1,148.5	1,240.7
Other bonds		
Last week	299.2	294.5
Previous week	160.9	285.6

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Arab Company for Trading Securities SAK; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Bondtrade; Credit Commercial de France (Secs.) London; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; Dillon, Read, Overseas Corporation; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nesbitt Thomson; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Strauss Turnbull and Co.; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on April 18

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WORLD STOCK MARKETS

NEW YORK

1980 High	1980 Low	Stock	Apr. 18
37⅞	27½	Cincinnati Mil.	27⅞
24⅛	17⅛	Citicorp	18¾
110⅝	83¼	Cities Service	86⅛
18¾	14¾	City Investg.	17⅝
39⅝	29⅜	Clark Equipment	31
37¼	26	Cleve Cliffs Iron	28⅜
10⅜	8	Clorox	8½
9⅞	7½	Cluett Peaby	8⅛
35⅝	28⅞	Coca Cola	30½
6¼	4	Coca Btl. NY	4⅞
14⅝	11⅝	Colgate Palm.	12½
8¼	6¼	Collins Aikman	6⅜
53⅛	35⅛	Colt Inds.	41
24⅓	19¼	Genuine Parts	20½
33½	22⅞	Georgia Pac.	22⅞
55	43	Geosource	49¼
25⅛	17⅞	Gerber Prod.	18¾
96¾	68½	Getty Oil	72
36	19¼	Giddings Lewis	19¼
26⅜	18⅞	Gillette	21¾
54¾	37⅜	Global Marine	44
21⅝	16½	Goodrich (BF)	18
14⅝	10⅞	Goodyear Tire	11⅞
26¼	21⅞	Gould	22
43¾	33¼	Grace	33½
39⅞	28½	Grainger (WW)	29¾
31⅛	21	McGraw Edison	23
30¾	24⅝	McGraw-Hill	25¼
14½	8½	McLean Truckg.	8½
28¾	20⅛	Mead	21⅝
29¼	21	Media Genl.	22½
62¾	55¼	Medtronic	60¾
28⅜	22	Mellon Natl.	25¾
30⅜	23½	Melville	26⅜
19⅝	10½	Memorex	11½
40¾	30¾	Mercantile Strs.	31¾
74⅝	60¾	Merck	64¼
41½	32	Meredith	35
25¾	17¾	Merrill Lynch	17¾
25⅝	19⅜	SFN Companies	21
37⅛	24⅝	SPS Technology	26½
37¾	31½	Safeco	33⅛
39¼	27⅞	Safeway Stores	28⅛
51	35	St. Joe Minls.	40⅛
71⅝	49¼	St. Louis-San F.	57⅛
42	31	St. Paul Cos.	35
36¾	25¾	St. Regis Paper	25⅞
71½	48¾	Santa Fe Inds.	53
45¼	30½	Santa Fe Intl.	30⅝
8⅝	5¼	Saul Invest.	5⅝
8⅛	4¼	Saxon Inds.	4⅝
36⅞	29⅛	Schering Plo	33

Indices

NEW YORK—DOW JONES

	Apr. 18	Apr. 17	Apr. 16	Apr. 15	Apr. 14	Apr. 11	1980 High	1980 Low	Since Cmpilt'n High	Since Cmpilt'n Low
Industr'ls	763.40	768.86	771.25	785.56	784.90	791.55	903.84 (13/2)	759.98 (27/3)	1051.70 (11/73)	41.22 (2/7/32)
H'me B'nds	68.87	68.71	68.52	66.95	68.66	66.64	74.01 (9/1)	65.87 (28/3)	—	—
Transport	258.17	249.65	242.94	246.55	248.00	250.69	305.80 (8/2)	233.69 (27/3)	305.80 (8/2/80)	12.23 (8/7/32)
Utilities	106.80	106.97	106.77	105.65	105.66	106.46	115.46 (13/2)	96.04 (27/3)	163.32 (20/4/69)	10.52 (28/4/42)
Trading Vol. 000's	26,880	32,770	39,730	28,670	27,870	28,860	—	—	—	—

Day's high 775.94 low 760.32

	Apr. 3	Mar. 28	Mar. 21	Year ago (approx
Ind. div. yield %	6.30	6.70	6.30	5.65

STANDARD AND POORS

	Apr. 18	Apr. 17	Apr. 16	Apr. 15	Apr. 14	Apr. 11	1980 High	1980 Low	Since Cmpil't'n High	Since Cmpil't'n Low
‡Indust'ls	112.44	113.08	113.88	115.28	115.45	116.45	134.47 (13/2)	111.89 (27/3)	134.64 (11/1/73)	3.52 (30/6/32)
§Composite	100.55	101.05	101.51	102.63	102.84	103.79	118.44 (13/2)	98.22 (27/3)	125.85 (11/1/73)	4.49 (1/6/32)

	Apr. 17	Apr. 14	Apr. 3	Year ago (approx
Ind. div. yield %	5.86	6.58	6.30	5.14
Ind. P/E Ratio	6.99	7.14	7.19	8.94
Long Gov. Bond Yield	10.48	11.64	12.24	8.30

N.Y.S.E. ALL COMMON

Apr. 18	Apr. 17	Apr. 16	Apr. 15	1980 High	1980 Low
57.21	57.45	58.95	58.36	67.77 (13/2)	58.30 (27/3)

Rises and Falls	Apr. 18	Apr. 17	Apr. 16
Issues Traded	1,878	1,910	1,936
Rises	789	651	743
Falls	721	893	872
Unchanged	368	366	321
New Highs	—	7	11
New Lows	—	61	40

MONTREAL

	Apr. 18	Apr. 17	Apr. 16	Apr. 15	1980 High	1980 Low
Industrial	338.62	336.65	345.72	366.04	425.80 (28/2)	323.21 (27/3)
Combined	315.64	315.16	317.15	325.51	376.00 (28/2)	296.98 (27/3)

TORONTO Composite	1807.8	1801.7	1817.5	1851.2	2152.6 (23/2)	1702.5 (27/3)

	Apr. 18	Apr. 17	Apr. 16	Apr. 15	1980 High	1980 Low
AUSTRALIA Sydney All Ord. (1936/59)	788.10	782.34	779.90	785.11	947.47 (14/2)	760.00 (2/1)
Metals & Mins. (1936/59)	4765.81	4764.88	4728.45	4769.47	5580.95 (14/2)	4591.26 (28/3)
AUSTRIA Credit Aktien (2/1/62)	67.92	67.97	67.55	67.71	69.40 (7/1)	67.45 (11/4)
BELGIUM Belgian SE (31/12/63)	94.82	94.47	94.77	94.94	105.75 (11/2)	90.14 (31/3)
DENMARK Copenhagen SE (1/1/73)	79.03	79.55	79.05	78.55	88.74 (2/1)	74.78 (6/3)
FRANCE CAC General (29/12/61)	105.90	103.60	104.30	104.50	117.80 (22/2)	97.1 (3/1)
Ind Tendance (28/12/79)	106.20	98.60	101.80	98.80	108.70 (18/2)	95.88 (3/1)
GERMANY FAZ-Aktien (31/12/58)	220.82	220.06	218.21	215.37	258.98 (25/2)	212.75 (28/3)
Commerzbank (Dec. 1953)	690.10	681.90	679.28	675.30	748.2 (25/2)	667.0 (27/3)
HOLLAND ANP-CBS General (1970)	81.40	82.20	81.80	80.80	87.0 (11/2)	74.0 (27/3)
ANP-CBS Indust. (1970)	64.90	65.10	64.30	64.30	68.2 (11/1)	58.2 (28/3)
HONG KONG Hang Seng Bank (31/7/64)	822.86	814.71	798.27	791.70	955.17 (15/2)	759.92 (19/3)
ITALY Banca Comm. Ital (1972)	93.57	93.18	97.76	91.56	95.51 (26/2)	85.11 (2/1)
JAPAN Dow Average (16/5/49)	6871.39	6798.78	6770.57	6885.76	6858.86 (14/2)	6475.95 (27/3)
Tokyo New SE (4/1/68)	482.98	482.48	461.29	462.64	472.65 (14/2)	448.01 (10/3)
NORWAY Oslo SE (1/1/72)	121.05	121.79	123.26	122.58	144.70 (14/2)	118.12 (28/3)
SINGAPORE Straits Times (1966)	467.68	469.40	466.55	467.86	604.11 (6/2)	422.75 (5/1)
SOUTH AFRICA Gold (1958)	527.1	518.0	521.0	524.9	604.5 (6/3)	505.0 (4/1)
Industrial (1958)	482.4	482.4	493.5	494.8	517.2 (14/2)	456.0 (28/1)
SPAIN Madrid SE (28/12/73)	98.14	98.65	98.94	98.06	108.25 (21/2)	98.14 (18/4)
SWEDEN Jacobson & P. (1/1/58)	366.93	369.57	368.06	366.55	386.88 (8/2)	334.72 (17/1)
SWITZERLAND Swiss Bank Cp. (31/12/58)	284.50	283.38	282.90	284.00	317.9 (11/2)	284.00 (18/4)
WORLD Capital Intl. (1/1/70)	—	125.0	124.4	125.1	143.5 (18/2)	120.5 (27/3)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Sperry	728,000	7⅝	+ ⅛	ATT	308,200	50⅞	− ⅛
Ford Motor	556,300	23⅛	−1⅞	Boeing	291,200	34	−1⅛
General Motors	460,100	40½	−2	Occidental Pet.	281,000	21⅛	− ½
IBM	411,900	51⅞	—	Comm. Edison	272,500	21	+ ½
Texaco	339,700	32½	− ⅞	Houston Indus.	241,700	28	+ ⅛

CANADA

HOLLAND

HONG KONG

JAPAN

ITALY

NORWAY

SWEDEN

SWITZERLAND

AUSTRALIA

SINGAPORE

SOUTH AFRICA

Financial Rand US$0.93 (Discount of 25%)

TEL AVIV

FRANCE

AUSTRIA

BELGIUM/LUXEMBOURG

GERMANY

DENMARK

BRAZIL

1980 High	1980 Low	Apr. 18	Price Cruz
1.56	1.09	Acesita	1.42
3.05	2.58	Banco Brazil	2.75
3.81	1.90	Belgo. Min	3.20
2.64	1.40	Lojas Amer	2.38
3.02	1.67	Petrobras PP	2.75
2.30	1.34	Pirelli	2.30
4.00	3.05	Souza Cruz	3.30
7.20	4.80	Unip PE	6.40
6.46	2.95	Vale Rio Doce	6.00

Spanish prices page 18

NOTES:—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Building and Civil Engineering

£22m Abu Dhabi water pipeline

THE JOINT venture company Al Salmeen/Bovis has won a £22m contract from the Government of Abu Dhabi's Water and Electricity Department for a 123 kilometre water pipeline between Abu Dhabi city and the oasis town of Al Ain.

Bovis International will provide the management for the 18-month contract. The line will comprise one metre diameter concrete lined ductile iron piping, to be laid in six metre lengths, each length weighing around 3 tonnes.

For much of its length, the pipeline will run alongside a dual carriageway road linking Abu Dhabi and Al Ain but in some places it will take a more direct route across desert terrain. The entire pipeline is to be buried to a depth of at least one metre.

Also included in the contract is the provision of air valves and washout points, which can be used to drain low lying sections of the pipeline.

The new pipeline will carry fresh water from the Umm Al Nar island water desalination plant near Abu Dhabi city and will supplement existing water sources for the fast growing community of Al Ain. Engineers for the project are Binnie and Partners.

Back in the UK the Group is also involved in a water project. This is a £1.7m contract for the Kirkhamgate service reservoir, near Wakefield, Yorks and this has gone to Bovis Civil Engineering.

The 78 week contract for Yorkshire Water Authority involves the construction of a fully enclosed reinforced concrete chamber, divided into two compartments, with a total storage capacity of around 30,000 cubic metres.

The central pipe gallery which divides the reservoir will carry water to a valve chamber and pumping station, also to be built by Bovis Civil Engineering. A total of 7,500 cubic metres of concrete and 700 tonnes of steel reinforcement will be used to construct the reservoir.

In the west of England, Bovis Construction has been awarded a £350,000 contract to build an office block for The Dickinson Robinson Group. This is part of an extension programme at DRG's thermoformed plastics packaging factory, in Station Road, Yate, Bristol.

£9m road and bridge award

A ROAD and bridges contract valued at £9.26m has been awarded by the County of South Glamorgan to Davies, Middleton and Davies the civil engineering division of the Joseph Cartwright Group.

The 4½km dual-carriageway is situated to the south west of Cardiff and will connect the A4055 Leckwith road to the junction of the A48 and A4050 roads at Culverhouse Cross.

Also called for is the construction of four reinforced concrete bridges and one prestressed concrete bridge together with a grade-separated interchange. Of the estimated 1.2m cubic cetres of excavation in cuttings required, about 400,000 cubic metres will be used in the formation of embankments.

Work is expected to start in May and is scheduled for completion in just over two years.

Work in Sheffield and London

UNDER A contract worth about £3.5m awarded by Makro Properties, John Laing Construction is due to start work soon on a new self-service wholesale distribution store at Parkway Avenue, Sheffield.

The complex, with a 141,125 sq ft floor area, will include a mainly single-storey structure with a ground floor split into food and non-food trading areas and a small mezzanine level for offices and administration. Externally there will be a car park for about 750 vehicles.

The building will have pad foundations with ground-floor slab, a precast concrete frame, precast concrete cladding panels and metal deck roofing.

Architects for this project are Burman Goodall and Partners and the consulting engineers are Anthony Brown and Partners (structural).

Laing has also won two contracts totalling over £1.5m for the modernisation of over 300 homes in the London Borough of Southwark.

The work forms the second stage of refurbishment programmes for pre-war homes on five Southwark Council housing estates in Rotherhithe, Bermondsey and Southwark.

Under the two latest contracts, one for £844,000 for repairs to the buildings, and the other for £672,000 for repairs to external services, roofs of the buildings will be retiled, brickwork repaired and repointed, windows and waterpipes replaced and balconies repaired. Work will be carried out while tenants remain in occupation.

Work has already started, and completion is expected early next year.

£2.1m services contract

A SUBSIDIARY of Alexis Martin Airconditioning, AMA (Arabian) Contractors, has been awarded a £2.1m contract for the design and installation of all mechanical, electrical and plumbing services for a new royal residence in Riyadh, Saudi Arabia.

The contract, won by AMA against strong international bidding, particularly from Germany and the U.S., has been placed by Essam Projects and Contracting Company, Riyadh.

Starting next month, AMA's contract is expected to be completed by April 1981.

Road work by Mears

RE-ALIGNMENT and reconstruction of about 500 metres of road at the naval base at Portsmouth is to be undertaken by Mears Contractors. The 21-month contract, worth £350,000 includes minor ancillary building and service installation work.

At Gatwick Airport, Mears has nearly completed its latest contract there. This £120,000 job has involved the breaking up and reconstruction of pavements adjacent to the main terminal building. Mears says the work will be completed four weeks ahead of schedule.

Orders for lifts

HAMMOND and Champness has been awarded contracts totalling £375,000 for lifts.

Passenger-carrying units are to be supplied to Guardian Royal Exchange Assurance in the City of London, and a 3,500 kg goods lift with power-operated gates is to be installed at Finsbury Distillery, Moreland Street, London EC1.

Other orders are for installations for Wimpey Property in Leeds and for units for property in High Street, Kingston upon Thames, Knowle Road, Camberley, Surrey, and Castle Street, Salisbury, Wilts.

Laboratory started

A RESEARCH laboratory at Roche Products site in Welwyn Garden City, Hertfordshire, is to be built by IDC of Stratford-upon-Avon.

The contract is worth £2.8m and calls for a four-storey building constructed on piled foundations through an existing two-level underground car park. Work is already under way.

£13½m road joint venture

CONSTRUCTION of the New Inn by-pass, Pontypool, Gwent is to be undertaken in joint venture by Costain Civil Engineering and Cementation Construction (Trafalgar House Group).

Due for completion in 1982 the by-pass will have two lengths of six and 0.6 km dual carriageway, 1 km of single carriageway and 2 km of side roads. More than a dozen bridges, six roundabouts, retaining walls, culverts and services are included in the contract. Engineer for the project is Howard Humphreys and Partners.

Costain has also won the £16.8m contract for work on the A120 Colchester Eastern and Elmstead Market by-passes. The contract, with the Eastern Road Construction Unit of the Department of Transport, is for the cosntruction of 12km of by-pass, 13 bridges, three culverts and an underpass. This is due for completion in early 1982.

Reconstruction work on the M5 near the Taunton Deane Service Area has been started by Costain following the award of a £1.3m contract by Somerset County Council. Work involves breaking out and removing the hard shoulder and slow lane of the motorway, reinstatement, joint sealing and white lining near junctions 25 and 26.

At Calcot, near Reading, Costain Civil Engineering is undertaking £1.2m preliminary works for a Sava Centre store for Bovis Management Contracting.

Monk wins £5m contracts

In a variety of work awarded to A. Monk and Company, there are £2.3m civil engineering and £2.72m building projects in England, Wales and Scotland.

At Wisley in Surrey, the Department of Transport has accepted a tender of £1.5m for construction of part of the M25/A3 interchange at Ockham Common. Over 2km of single carriageway slip roads in flexible pavement and three bridge structures form the contract for completion in the spring of next year.

In Dyfed, Monk is to carry out phase 2 of sewage and sewage disposal facilities at Laugharne for the Welsh Water Authority. Valued at £599,282 the work includes laying 4.3 km of pipe, constructing underground communitor pumping stations and a surface storage tank faced with local stone.

As part of the Selby coalfield development Thyssen (GB) has awarded a £88,747 contract at Stillingfleet while at Middlesbrough Monk is to extend, under a £73,650 contract, the existing single carriageway road bridge spanning Ormsby Beck at the junction of Marsh Road and Cargo Fleet Road.

Among building projects the Monk Housing Division is building 72 private dwellings in a development at Werrington, Peterborough. At Bandeath an advance factory block is being built for the Scottish Development Agency. The £225,961 contract includes roadworks.

Roads study in Botswana

THE MINISTRY of Works and Communications in Botswana has appointed Ove Arup and Partners as consulting engineers on two projects.

The first is to carry out a technical and economic feasibility study of 5,500 km of feeder roads. This will be followed by the preliminary engineering design of 1,000 km of roads. Object of the study will be to produce an overall programme for up-grading roads for construction in the period 1986-1991.

Photographs taken via a satellite will enable vast areas with difficult access to be studied and interpretation of the photographs will be aided by study of aerial photographs and field observation. This method, it is stated, will enable rapid location of potential construction material, avoidance of hazardous clays and help assessment of drainage characteristics and water availability.

An associated economic study of the road network, traffic forecasts, user benefits and costs, will be undertaken by Maxwell Stamp Associates.

The second project involves assistance in the engineering supervision of secondary road improvements in Botswana. This work is expected to continue for two years. During this time improvements to alignment, drainage and access to outlying villages is to be financed by a loan from the British Government.

£9m shopping centre

WORK STARTS next month on the construction of a shopping centre in Enfield, Middlesex under a near-£9m contract awarded by Norwich Union Life Insurance Society to Sir Robert McAlpine and Sons.

On a 1.2 hectares site off Church Street and bounded by Cecil Road to the south, the centre will include four large store units and 37 small shop units in a single storey structure surrounding an open mall.

A four-level car park is also to be built.

Some 19,000 cubic metres of excavation will be involved prior to the erection of the reinforced concrete, brick clad, frame. Four lifts will be installed to service the 45,000 square metres of floor space.

Completion is programmed for early 1982. Architects are Fitzroy Robinson and Partners, quantity surveyors are Philip Pank Partnership and the consulting engineers are R. T. James and Partners.

£3½m awards to Douglas

CONTRACTS totalling £3.5m have been awarded to R. M. Douglas Construction.

Among the largest is a £973,000 award for advance factories at Deeside for the Welsh Development Agency and a £934,000 contract for the construction of twelve warehouses at Hendon in north-west London for Slough Estates.

Another award, worth £482,000, is for the construction of a vehicle repair and maintenance depot at Clydach, Swansea, for the Welsh Water Authority.

Extendable buildings

WHAT IS claimed to be a new method of industrial building construction has just been announced by Terrapin.

By its use, small "starter" factories can be set up and subsequently extended as business grows, says the company.

The steel frame of the Terrapin Matrex Industrial Building System is designed to comply with the requirements of the appropriate sections of British Standards relating to the use of structural steel in building. Composite insulated panels are used for roofing and cladding. These panels comprise an outer sheet of Plastisol-coated galvanised steel, a centre core of rigid foam insulation and a lightly ribbed internal steel liner. There is a choice of aluminium-framed windows, personnel and vehicle doors.

Complete roof assemblies and wall units are made into packs, each forming a unit of construction ready for storage or despatch to site. As the new structures can be re-sited repeatedly, a hiring scheme has also been launched and this will be operated by a subsidiary company, Terrapin Hire.

Orders for Totty

LARGEST OF several contracts totalling nearly £400,000 won by the Totty Building Group in Yorkshire is worth over £100,000 and is for the conversion of the magistrates court in Princess Street, Huddersfield, for use as a Crown Court.

Other contracts relate to improvement to the staff kitchen at High Royds Hospital, Menston; a warehouse scheme in South Street, Bradford, for Bradford Corporation; plant room at Greetland, Halifax, for Bondina and a new lift installation at St. Luke's Hospital, Bradford.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

City 'prepared to look long term'

INSTITUTIONAL shareholders may not be too happy about the idea of British companies adopting the occasional German pratice of cutting dividends in order to retain more money for research and product development but many would see a short period of unchanged payments as an acceptable way of achieving such an objective.

Such a view from the City itself might well be considered somewhat radical. Yet it was put forward recently by the investment manager of one of the bigger and best known institutions, Hugh Jenkins, of the National Coal Board pension funds.

Jenkins believes that there is a "growing body of investors who would be prepared to accept maintenance of a previous dividend and to forego an increase in order that management should retain earnings for new product development."

He also feels that shareholders should be prepared to accept a further commitment, in that any additional equity capital needed to pursue a development programme "should be raised by means of a rights issue, with an appropriate explanation to all shareholders, particularly if it means that earnings will be flat for a few years to come."

Jenkins put forward this view during a discussion on product innovation and development organised by the Society of Industrial Artists and Designers. The debate centre on a paper* written for SIAD and the Anglo-German Foundation by Christopher Lorenz, editor of this page.

The paper examines the poor record of innovation in British industry—both "radical" innovation and product improvements—and argues that the "traditional obsession of the City with short-term performance is one of the main causes of the product development 'problem' in British industry." Rather than through an unwillingness to provide funds, the paper argues, this obsession is reflected in the low stock market ratings given to most innovation-minded companies.

Jenkins maintained that, in effect, this was an outdated view. Institutions were more likely to support those compan iesinvesting in new products "than if the company muddled on with an ageing product and maximised whatever earnings they could in the meantime."

Because of the very scale of their holdings, institutions were much more interested in a long-term progressive rise in rates of return than on fluctuation in share price. "The very existence of these large shareholders can in itself reduce volatility in share prices," he said.

Another main speaker in the discussion—which was attended by Sir Keith Joseph, Secretary of State for Industry—was Sir George Burton, chairman of Fisons, the chemicals, pharmaceuticals and fertilisers group. Concentrating on the difficulties of financing research in an inflationary climate, he said. A strategy for British industry to ride out its problems through scientific discovery made good sense in principle, but could it succeed under today's conditions?

"The Catch 22 question is that unless and until we have a thriving industry we cannot afford to invent our way out of our problems, and if we don't we will sink further in our industrial malaise to a terminal state."

Sir George complained of the particular problems faced by companies heavily based on research and development. For many years, R and D expenditure has been chargeable against pre-tax profits. Recently, however, governments have eased the tax burden on industry by introducing capital and stock allowances to the extent that most expanding companies now pay little tax other than ACT. The consequences of this, according to Sir George, has been that such companies get no further relief if they are also engaged heavily in R and D. The R and D cost effectively comes through as a direct deduction from post-tax profits.

"The incentive on R and D, therefore, not only has been affected by high costs and price control, but also by the loss of a favourable tax position relative to non-research based industry," said Sir George.

While a consensus of agreement emerged in the discussion on the need for greater innovation, there was considerable discord both on the root causes of British industry's current poor performance, in comparison with such countries as Germany and Japan, and on how these could be overcome.

Dr. Basil Bard, chairman of New Product Management, a research, development and patents consultancy, felt that to succeed in innovation it was essential to play the "numbers game"—that is to ensure that more than one line of innovation was taking place because there were "a lot of fences at which innovation can fall."

Lord Caldecote, chairman of Finance for Industry, and chairman of Delta Metal Group and of the Design Council, argued that designers were often not given the right position within a company. He also felt there was no shortage of funds for product development but the "difficulty is to get them into companies at the right time and the right price."

** Investing in Success: How to Profit from Design and Innovation, by Christopher Lorenz. Published by the Anglo-German Foundation for the Study of Industrial Society, St. Stephen's House, Victoria Embankment, London SW1A 2LA, price £1.50.*

Nicholas Leslie

Quinton Hazell: a motor parts maker driving for more overseas markets

BY ARTHUR SMITH

WITH THE continuing crisis in BL's car division, and the UK vehicle assembly business as a whole suffering from a general lack of growth, it has become all too necessary for British motor components manufacturers to try to expand foreign operations.

Quinton Hazell, part of the Burmah Oil group, is one company attempting to generate the bulk of future revenue and profits from overseas. Simultaneously with its all-out drive to become preponerantly international, QH has been attacking three other inter-related problems: its overdependence on components for cars, and lack of a sufficient commercial vehicles market; its over-reliance on the replacement market and inadequate sales to the vehicle assemblers themselves; and its reputation as a copier of other makers' components, rather than as an originator of its own designs.

The company was created in 1946 by Mr. Quinton Hazell, after leaving the forces. He began manufacturing and selling tie rod ends from a factory in Colwyn Bay. After nearly 30 years of successful growth, the group was taken over by Burmah Oil in 1972. Turnover is now running at more than £150m a year with activities grouped in four principal divisions:

- Quinton Hazell Automotive, the manufacturing operation, with factories producing a whole range of components for cooling systems, brakes and transmissions, steering and suspension, silencers and exhausts.
- QH International, embracing in the manufacture, distribution and retailing of components.
- Partco, a national wholesale distribution company with 138 depots selling parts to the motor trade.
- Standard Motorists' Centres, the retail division, with 120 depots throughout the UK, operating an exhaust and tyre fitting service.

QH's new policy, aimed at broadening its base, owes much to the actions of Ray Sollett, the 47 year old chief executive, who was appointed in October 1976 after holding senior positions with British Leyland, Perkins and Automotive Products. He took over against the background of disappointing profit results as the company adjusted to the problems posed by record inflation and the oil crisis.

Though QH's turnover remained high, Sollett considered its profitability and *product range to be inadequate.* He gave a new priority and bigger budget to research and development, in order, he says, to establish that QH had the skills to innovate rather than merely copy; it was through copying that it had initially broken into the replacement market.

The most publicised product to emerge from that programme is "the underrider," a device fitted to the rear of lorries to reduce the impact of collision with a car. It has already won important safety awards but its commercial potential is unlikely to be realised until legislation in the U.S. and Europe makes such fittings compulsory.

Ray Sollett: "we can take our skills into the wider world market"

Broader range

Apart from in-house developments, the product range has been broadened by deals such as that with Alfred Teves, the German subsidiary of ITT, under which QH imports brakes for sale through its UK outlets. The clutch range has also been extended, with the result that QH can claim to have moved from virtually nothing to account for 15 per cent of that sector of the UK replacement market.

The attractions of increasing the amount of original equipment supplied direct to the assemblers are various: not only is such business profitable in itself, but it broadens market spread, and says Sollett, gives QH the chance to demonstrate its ability to meet production targets and quality standards.

Peter Redfern, the group marketing director and a recruit from the British Leyland Truck and Bus Division, points out that components are already supplied to companies such as Aston Martin, Ford, General Motors, Datsun, Toyota and Peugeot. "We appointed a senior executive 18 months ago to chase the original equipment business and I think we are only six months away from really significant developments."

It is not only in the UK but also in exports that QH is looking for growth in the supply of parts to the commercial vehicle industry. Manufacture of truck components has increased in the past tw oyears from a negligible level to account for more than 6 per cent of its total production.

The reduction of its traditional dependence upon cars includes Partco's establishment of 40 depots specialising in commercial vehicles. In all, Partco now has 138 depots. Further growth will be achieved, as Redfern puts it, "by grass rooting — acquiring and setting up two or three new outlets each year."

A similar development is planned for the Standard Motorists' Centres, already numbering 120 and established to meet public demand for rapid tyre and exhaust fitting services. The chain recently introduced a while-you-wait shock absorber service.

Together with the international expansion, all this sets the pattern for QH over the next five years. "I don't see it much different in shape and activities," says Sollett. "Above all, it will be bigger, successful and profitable."

Over the same period, Sollett is aiming to increase the share of revenue generated overseas from the present 35 per cent to more than 50 per cent. Attention is already focused on Europe and the U.S.

A Paris office was opened in January which is expected, within 12 months, to have built up a turnover running into several hundred thousand pounds. "France is a very exciting market," Redfern says. "Surprisingly it is less chauvinistic than Germany. There is scope for a strong independent supplier in the replacement sector which is currently dominated by original equipment manufacturers." The Paris office is also seen as a base from which to attack French dominated markets, such as North Africa.

QH believes that its UK strategy — identifying market trends, offering a quick competitively-priced distribution service, suported, where necessary by manufacturing facilities — can be repeated in Europe.

In Italy, with a turnover of £1.7m last year, QH supplies over 20 distributors who offer products both for domestic sale and export.

Such expansion in European markets also benefits UK factories, Redfern maintains. "In Columbia and Euquador for example, where there is a high Fiat car population we can offer a QH package based on our Italian company. But the range of products will be wider because we can also draw upon the UK. Such packaging opens up markets for UK products which would otherwise not be in demand."

In common with other UK motor component suppliers, QH is also active in the U.S., where last year it had a turnover of $3m. An office was set up at Lexington, Kentucky, two years ago under the direction of an American executive with wide experience of the motor industry. The U.S. is seen as a growth area and QH hopes to increase turnover ten-fold over the next few years.

A number of U.S. distributors take QH products and sell them under local brand names. Clearly, the next step for QH would be to establish its own distribution network. But that is not so easy when European competitors are on the same trail. GKN, for example, has committed much greater resources, and has made the most dramatic inroads with the purchase of Parts Industries Corporation, a U.S. distributor with a $100m annual turnover.

Acquisitions

QH is already supplying components such as water pumps and exhausts to another GKN organisation, World Parts. It remains on the lookout for acquisitions. Redfern points out that a presence in the U.S. has been beneficial in making QH known in related markets such as Latin America.

Quinton Hazell is one of the names most associated with the boom days of the UK motor industry. Leading the company from within the Burmah Group, Sollett clearly had the option to diversify. "Our business is the motor industry," he insists. "We understand it and can take our skills into the wider world market and create a profitable company that will generate jobs in the UK."

Business courses

Physical Distribution Management, Brussels. May 21-23. Details from Management Centre Europe, avenue des Arts 4, B-1040, Brussels, Belgium.

Solving Problems by Simulation, Manchester. May 22. Fee: £80 (plus VAT). Details from P-E Consulting Group, Park House, Egham, Surrey TW20 0HW.

100th General Management Course, Henley-on-Thames. May 19-July 24. Details from The Administrative Staff College, Greenlands, Henley-on-Thames, Oxfordshire RG9 3AU.

Innovation and Market Success, Bradford. May 11-16. Fee: £260. Details from Brian Twiss, Course Director, University of Bradford Management Centre, Heaton Mount, Keighley Road, Bradford, West Yorkshire BD9 4JU.

هكذا من الأحول

APPOINTMENTS

M. Bird heads Massey-Ferguson Holdings

Mr. Michael G. Bird, managing director of MASSEY-FERGUSON HOLDINGS, London, has become chairman and managing director on the retirement of Mr. H. A. R. Powell.

★

Mr. Dudley Parry has been appointed a director and general manager of J. T. CHADWICK, a member of the Tecalemit group.

★

Mr. John Venning is joining the Board of ROBERT STOCKWELL on May 5. He was previously on the Boards of St. Clements Fosh and Cross, Williams Lea and Perivan Press.

★

Mr. Brian Quantrill, previously development director with Allied Suppliers, has joined B AND Q (RETAIL) as director of property at Southampton.

★

Mr. Eric Farnsworth has been co-opted into membership of NATIONWIDE LEISURE and the full Board is now Mr. Farnsworth (chairman), Mr. A. J. Hanson, Mr. J. H. Muller, Mr. V. M. Cobb (managing) and Mr. B. P. Gurnett, who is to be managing director of companies forming the Surrey caravan division.

★

Mr. Edward J. Venn was named director-general of the ROYAL NATIONAL INSTITUTE FOR THE BLIND from September 1. He will succeed **Mr. Eric Boulter**, who retires on August 31.

★

Mr. Tom Watson has been appointed a director of WOLVERHAMPTON STEAM LAUNDRY.

★

Crown House states that **Mr. W. F. Rawson** has resigned from the Board of WHEELER MARTIN (PTY.), its subsidiary in South Africa, and **Mr. Brian J. Beardmore** and **Mr. Len C. Hallett** have been appointed to that Board as chairman and managing director respectively.

★

Mr. C. A. Thomas is to become chief general manager of the NATIONAL FARMERS' UNION MUTUAL INSURANCE SOCIETY and of AVON INSURANCE COMPANY on June 1. He will succeed **Mr. R. A. Nixon**, who retires on May 31.

Mr. Michael Lunch has been appointed marketing manager of the European Consumer Division of TEXAS INSTRUMENT.

★

Mr. John Wardle, former director of the North West Tourist Board, has been appointed the new director of the CUMBRIA TOURIST BOARD from June 1. He will succeed **Mr. Malcolm Seymour**, who has resigned to move to Bath. Mr. Wardle is at present managing director of Republique Tours of London.

★

Mr. N. A. Bonham-Carter has joined the Board of ALBEN TRUST MANAGERS.

★

Mr. Ted Piper and **Mr. Vic Williams**, joint managing directors of COMPUTER DATA PROCESSING have been appointed joint chairmen and Mr. Piper joins Mr. Williams on the Board of IPC Business Press. **Mr. John Vause**, assistant managing director, computing, *on* CDP, *becomes managing* director with overall responsibility for computing and management systems.

★

Mr. E. F. Hedger retires as Director General of Defence Contracts in the MINISTRY OF DEFENCE on July 8, when he will be succeeded by **Mr. B. R. Haigh**. **Mr. A. J. Figes** will replace Mr. Haigh as Principal Director of Navy Contracts. **Mr. R. A. W. Baker** has been made Principal Director of Air Contracts to succeed the late Mr. J. Smith.

★

Mr. N. F. Luckett, **Mr. A. K. Gardner** and **Mr. G. M. Hamilton** have been appointed executive directors of THOMSON McLINTOCK ASSOCIATES, Birmingham. **Mr. J. Constantine** and **Mr. D. J. Bishop** have become non-executive directors.

★

Following a re-organisation in H. CLARKSON MARINE (HOLDINGS), a subsidiary of H. Clarkson (Insurance Holdings), **Mr. P. D. Martens** becomes chairman, **Mr. F. H. L. Horner**, *managing* director, and **Mr. A. Grove** and **Mr. A. G. C. Howland Jackson**, directors. **Mr. T. R. B. Burr** has been appointed *managing* director *of* GLOCK BURR AND CO., a member of the H. Clarkson Insurance Group. **Mr. H. W. Burr** remains chairman of Glock Burr and Mr. A. G. C. Howland Jackson and Mr. P. D. Martens join that Board.

★

Following the acquisition of the balance of the ordinary shares of Pye Holdings which were not already owned by Philips and the subsequent integration of the Pye operating companies into the Philips' management structure, Philips Industries (Philips Electronic and Associated Industries) has established a structure for the smaller Pye companies to form a separate group under its own central management.

A management and holding company, CAMBRIDGE ELECTRONICS INDUSTRIES, has been set up with the following Board: **Mr. R. M. A. Jones**, chairman, **Mr. R. A. King**, managing director (executive), **Mr. K. W. Cook**, **Mr. C. T. Crook**, **Mr. A. B. Faulds**, deputy managing director (executive), **Mr. A. P. Hichens**, **Mr. J. B. H. Jackson**, **Mr. F. Moon**, (executive and **Mr. B. R. Overton** (executive).

★

Sir John R. Colville has retired from the Board of COUTTS AND CO.

★

Mr. Charles Bannatyne has been elected president of the NATIONAL ASSOCIATION OF PAPER MERCHANTS. Mr. Bannatyne is a director of Wiggins Teape and general manager of the company's merchanting and stationery division.

★

Mr. R. T. Kanter has been appointed a director of ALPINE HOLDINGS and managing director of ALPINE (DOUBLE-GLAZING) COMPANY. **Mr. Peter Kaye**, the previous managing director of Alpine (Double-Glazing), *is relinquishing* his position as acting chief executive of the company but continues as a director of both concerns until October 31, 1980, and as a consultant to Alpine Holdings until October 31, 1981. Mr. Kanter has most recently been group chief executive of the Fenton Hill Group, having previously been with the Thomas Cook group as group managing director, banking.

★

Mr. David Horton has been appointed chief executive of ALLERTON INDUSTRIES. He was previously group finance director and joint managing director for Robert Nicholas.

★

Mr. J. M. H. Millington-Drake is to join the London Board of Advice of the NATIONAL BANK OF AUSTRALASIA. He is a managing director of Inchcape and Co. and a director of the Commonwealth Development Corporation.

★

Following the appointment of **Mr. J. W. Lindsey** as general manager, planning and research department, EAGLE STAR is amalgamating the home foreign/excess of loss and the reinsurance departments. The new department will be known as the Reinsurance and Home Foreign Division under **Mr. J. E. Lee**, general manager. **Mr. P. D. Downs** has been appointed deputy general manager of Eagle Star. **Mr. D. A. Donnison**, divisional manager, **Mr. C. R. Robinson** and **Mr. J. C. Bagge**, underwriters, and **Mr. P. J. Thistlewood**, reinsurance controller. Mr. Lindsay will continue to be associated with the division in a non-executive capacity.

★

Racal-Redac has formed a company called RACAL-REDAC MARKETING at Turners Hill, Cheshunt, Herts. **Mr. Geoffrey Lomer** is its chairman with **Mr. Eric Wolfendale** as managing director. The newly-appointed marketing director is **Mr. Barrie Murray-Upton**.

This week in Parliament

TODAY

COMMONS — Supply Day debates on problems of North-west and Yorkshire.

LORDS—Consular Fees Bill, third reading. Social Security Bill, committee.

SELECT COMMITTEES—**Home Affairs**. Subject: Public order. Witnesses: TUC, British Board of Deputies. (4.30 pm, Room 8). **Treasury and Civil Service**. Subject: Budget and public expenditure White Paper. Witnesses: Governor of Bank of England (5 pm, Room 15).

TOMORROW

COMMONS—Employment Bill, remaining stages.

LORDS—Social Security Bill, committee. Limitation Amendment Bill. Commons amendments. Consensus Order 1980.

SELECT COMMITTEES—**Environment**. Subject: Council house sales. Witnesses: South Lakeland District Council. Allerdale District Council (4.15 pm, Room 6). **Parliamentary Commissioner for Administration**. Subject: Report of Health Service Commissioner. Witnesses: Permanent Secretary to Dept. of Health and Social Security; Secretary, Scottish, Home and Health Department; Deputy Secretary, Welsh Office (5 pm, Room 7).

WEDNESDAY

COMMONS — Employment Bill, remaining stages.

LORDS—Debate on overseas sales of defence equipment. Debate on nuclear weapons. Concessionary Travel for Handicapped Persons Bill, second reading. Debate on time persons on remand are kept in prison.

SELECT COMMITTEES — **Education**. Subject: Courses in higher education. Witnesses: CBI. (10.30 am. Room 6.) **Scottish**. Subject: Inward investment to Scotland. Witnesses: Prof. N. Hood, Mr. David Bell Fraser. (10.30 am. Room 5.) **Foreign Affairs**. Subject: Effects of Soviet Expansion on British Foreign Policy. Witnesses: Dr. Pravda, Dr. McAnley, Mrs. Valerie Yorke, Mr. Louis Turner. (10.45 am, Room 15.) **Industry and Trade**. Subject: Import and Export Trade. Witnesses: British Radio Equipment and Electronic Manufacturers' Association, Decca Radio and Television. (10.45 am. Room 16.) ***Public Accounts***. Subject: Carryover of funds at end of financial year. Witnesses: Sir Anthony Rawlinson, Permanent Secretary, Treasury. (4 pm. Room 16.) **Transport**. Subject: Public Expenditure White Paper. Witnesses: Sir Peter Baldwin, Permanent Secretary to Department of Transport, and officials (4.15 pm. Room 8.) **Employment**. Witnesses: Training Services Division of Manpower Services Commission, Mr. Alan Brown, chief executive, Manpower Services Commission. **Social Services**: Subject: Public expenditure on social services. Witnesses: Mr. Patrick Jenkin, Social Services Secretary, and officials. (4.30 pm. Room 15.) **Welsh**. Subject: Employment opportunities in Wales. Witnesses: Development Corporation for Wales. (4.30 pm Room 18.) **Treasury and Civil Service**. Subject: Tax changes in the Budget. Witnesses: Treasury and Inland Revenue officials. (4.45 pm. Room 21.)

THURSDAY

COMMONS — Supply Day debate on cost of living. Opposed private business.

LORDS — British Aerospace Bill, third reading. Transport Bill, second reading.

SELECT COMMITTEES—**Agriculture**. Subject: Health implications of CAP. Witnesses: Royal College of Veterinary Surgeons. (11 a.m. Room 16). **Environment**. Subject: Implications of Public Expenditure White Paper for housing policy. Witness: Mr. Michael Heseltine, Environment Secretary (4.15 pm Room 15).

FRIDAY

COMMONS — Films Bill, second reading.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

COMPANY MEETINGS—
Baynes (Charles), 6, East Park Road, Blackburn, Lancs., 12.00
Commercial Union, The Baltic Exchange, St. Mary Axe, EC, 12.00
Olympia (Redacre), Crest Mill, Queensway, Rochdale, 10.00

TODAY

BOARD MEETINGS—
Finals:
Callender (George M.)
Clarke (Clement)
Electrical and Ind. Secs.
Executex Clothes
London Utd. Invs.
MDW
Maple
Revertex Chems.
Wadkin
Interims:
Land Investors
Messina (Transvaal) Dev.
Wade Potteries

DIVIDEND & INTEREST PAYMENTS—
Amalgamated Tin Mines of Nigeria 9p
Buckinghamshire Variable Rate 1982 £7.3125
Churchbury Invest. Prop. repayment of 6½pcTstMtDb. 1985-90 at 97p per £1 nom.
Edinburgh American Assets Tst. 0.7p
Firestone Tire and Rubber 15cts.
Grand Metropolitan 3.25p
Renong Tin Dredging 3p
Woolworth (F. W.) Ord. Units 3.5695p

COMPANY MEETINGS—
Ewer (George), Gt. Queen Street, WC, 11.30
First Scottish American Trust, Belsize House, West Ferry, Dundee, 12.00
Grindlays, 23, Fenchurch Street, EC, 3.00
Mercantile Investment Trust, 20, Aldermanbury, EC, 12.00
NatWest Bank, Winchester House, 100, Old Broad Street, EC, 12.00
Needlers, Sculcoates Lane, Hull, 12.00
Scottish Life Assurance, 19, St. Andrew Square, Edinburgh, 2.15
Sterling Estates, 78, Grosvenor Street, W, 4.00
TACE, Essex Hall, Essex Street, WC, 3.00
Vantona, Midland Hotel, Peter Street, Manchester, 2.30

TOMORROW

BOARD MEETINGS—
Finals:
Bodycote Intnl.
Brown Boveri Kent
Chesterfield Props.
Ellis and Goldstein
Estate Duties Inv. Tst.
Farnell Electronics
Hill (Charles) of Bristol
J.B. Hldgs.
Lilleshall
Maxim's
North (M. F.)
Oxley Printing
Pearson Longman
Pearson (S.)
Silentnight
Steel Brothers
Tozer Kemsley and Millbourn
Travis and Arnold
Utd. Carriers
Websters
Wilson (Connolly)
Interims:
Dowding and Mills
MY Dart
Spencer Gears

DIVIDEND & INTEREST PAYMENTS—
Amalgamated Tin Mines of Nigeria 3p
American Express Intl. Finance Corp. NV Gtd. Floating Rate Notes due 1982 $U.S. 74.66
American Medical 5½pc Sub.Gtd.Cnv.Bds. 1992 2¾pc
Anglo American of South Africa Uns. Notes 5.75pc
Downing (G. H.) 2.75p
International Westminster Bank Floating Rate Cap. Notes 1984 $U.S. 74.66
Olympia (Redacre) 1.69p
South British Insurance 10 cts.
TACE 1.2p
Union Bank of Finland Floating Rate Cap. Notes 1982 $U.S. 74.98

WEDNESDAY, APRIL 23

COMPANY MEETINGS—
Anglia TV, Anglia House, Norwich, 2.30
Ford (Martin), Winchester House, London Wall, EC, 12.00
Friedland Doggart, Midland Hotel, Peter Street, Manchester, 12.00
Huwood, Team Valley, Gateshead, Tyne and Wear, 9.30
Molins, London Press Centre, Shoe Lane, EC, 12.15
Rea Bros., Winchester House, 100, Old Broad Street, EC, 12.00
Sale Tilney, 28, Queen Anne's Gate, SW, 12.30
Squirrel Horn, Alma Lodge Hotel, Buxton Road, Stockport, 10.30

BOARD MEETINGS
Finals:
Amalgd. Metal
BSG Intnl.
B and Q (Retail)
Blue Circle Inds.
Copydex
Corinthian Hldgs.
Delta Metal
Elbar Ind.
Fogarty (E.)
Gosforth Ind.
Hay (Norman)
Laing Props.
Laporte Inds.
London and European
Menzies (John)
Neill (James)
Office and Elec. Machines
Spear and Jackson
Thomson T-Line Caravans
Wight Hldgs.
Interims:
British Assets Tst.
Long and Hambly

DIVIDEND & INTEREST PAYMENTS—
BPM A & B Ord. 1.4375p
Bank Bumiputra Malaysia Berhad Floating Rate Notes 1984 $U.S. 76.25
Mercantile Invest. Trust 1.8p
Rea Brothers 1.275p
West Hampshire Water Ord. A (7pc Max. formerly 10pc) 3.5pc
Do. Ord. B (4.9pc Max. formerly 7pc) 2.45pc
Do. 3.5pc (formerly 5pc Ord.) 1.75pc

THURSDAY, APRIL 24

COMPANY MEETINGS—
Acsis Securities, The Clarendon Court Hotel, Maida Vale, W, 12.00
Barclays Bank Intl., 54, Lombard Street, EC, 12.45
Bridgewater Estates, Midland Hotel, Peter Street, Manchester, 12.15
British Mohair Spinners, Victoria Hotel, Bridge Street, Bradford, 12.00
Hill Engng., Grosvenor House, Park Lane, 12.00
Howden (Alexander), Great Eastern Hotel, Bishopsgate, EC, 12.00
International Invest. Trust, Winchester House, 77, London Wall, EC, 12.30
Tate of Leeds, Parkway Hotel, Otley Road, Leeds, 3.00
Turner and Newall, Grand Hotel, Aytoun Street, Manchester, 12.00
Watmoughs, Low Hall, Calverley Lane, Horsforth, Nr. Leeds, 12.00

BOARD MEETINGS—
Finals:
Amalgd. Power Eng.
Belgrave (Blackheath)
Dunlop
Flight Refuelling
Grampian TV
Haden Carrier
Modern Engineers Bristol
Pentland Inds.
Perry (Harold)
Sumner (Francis)
Tootal
Vickers
Interims:
Anglo-Scott'sh Inv. Tst.
Bailey (Ben) Construction
McKechnie Bros.
Safeguard Ind. Invs.
Simpson (S.)

DIVIDEND & INTEREST PAYMENTS—
Adams and Gibbon 4p
Anglo American Invest. Trust 630cts.
Bejam 1p
Bluebird Confectionery 1.45p
Bridgewater Estates 11.5p
Broadstone Invest. Trust 5.35p
Cardiff 11pc Red. 1986 5½pc
De Beers Consd. Mines Dfd. (Reg.) 52.5cts.
Do. Dfd. (Br.) 52.5cts.
De Beers Industrial 65cts.
Do Pf. 22pc
Diploma 7pcPf. 2.45pc
First Scottish American Trust 3p
Ford (Martin) 1.3p
International Stores Loans 2½, 3½, 3¹⁵⁄₁₆pc
Lunuva (Ceylon) Tea and Rubber Estates 12p
Watmoughs 3p

FRIDAY, APRIL 25

COMPANY MEETINGS—
Britannic Assurance, Moor Green, Moseley, Birmingham, 12.00
Carliol Invest. Trust, Milburn House, Newcastle-upon-Tyne, 12.15
Dufay Bitumastic, Winchester House, 77, London Wall, EC, 12.00
English Property, 16, Grosvenor Street, W, 9.30
Habit Precision Engng., Hotel Lily, 23-33, Lillie Road, Fulham, SW, 10.00
Inveresk, Great Queen Street, WC, 12.00
Letraset Intl., 7, Appletree Yard, SW, 12.00
Lyon and Lyon, Harker House, Knottingley, West Yorkshire, 12.15
Mixconcrete, The Aquadrome, Little Billing, Northampton, 12.00
Tomatin Distillers, Mayfair Hotel, Stratton Street, W, 12.15
Transport Development, Great Eastern Hotel, Liverpool Street, 12.00
Tyneside Invest. Trust, Milburn House, Newcastle-upon-Tyne, 12.20
Weber, 63-65, Piccadilly, W, 2.30
Woodward (H.), Altcar Works, Formby, Liverpool, 3.00

BOARD MEETINGS—
Finals:
Allebone
Cole (R. H.)
Duncan (Walter) and Goodricke
Futura
Hammerson Prop. and Inv. Tst.
Hestair
Hoskins and Horton
Liberty
Scottish Ontario Inv.
Sunlight Services
Viking Resources Tst.

DIVIDEND & INTEREST PAYMENTS—
African Lakes Corp. 4.4p
Agricultural Mortgage Corp. 12½pcBds. 25/4/80 £6.1622
Australian and International Trust 1p
Bankers Trust New York Corp. 82½cts.
Baynes (Charles) Ord. Units 0.6p
Brittania Arrow 0.7p
British Invest. Trust Db. 2½pc
CPC Intl. 85cts.
Davies and Metcalfe Ord. and A 0.89p
Exchequer 11pc 1991 5½pc
General Electric 70cts
Grindlays 2.6875p
Hong Kong and Shanghai Banking Corp. HK$0.5
IMI 2.5p
Inveresk Ord. Units 1p
Liverpool Daily Post and Echo 6.058p
Macpherson (Donald) Ln. 3½pc
Manufacturers Hanover Corp. 63cts.
NCR Corp. 50cts.
Parker Knoll Ord. and A 2.5p
Pifco Ord. and A 1.6p
Schroders 14p
Scottish and Newcastle Brews. Dbs. 2¾, 3, 3½, 3¾, 3¼pc
Sharpe (W. N.) Ord. and A Ord. 3.5p
Steetley 6.5p
Do. 4½pcPf. 1.575pc
Tomatin Distillers 2.75p
Trafford Park Estates 2.25p
Transatlantic Market Trust 62p
Woodward (H.) 1.7p

SATURDAY, APRIL 26

DIVIDEND & INTEREST PAYMENTS—
Kent 9¼pc Red. 1978-80 4⅝pc
Rridal-Suldal Kraft A S 6¼pc 20yr. Sec. Db.Ln. of 1965 3⅛pc

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Apr. 21—25	International Fire, Security and Safety Exhibition—IFSSEC (01-388 7661)	Olympia
Apr. 22—May 2	International Machine Tool Exhibition—MACH 80 (01-402 6671)	NEC, Birmingham
Apr. 22—25	Fashion Fabrics Exhibition (01-385 1200)	Olympia
Apr. 22—May 2	International Machine Tool Exhibition—MACH (01-402 6674)	NEC, Birmingham
Apr. 23—26	National All British Engineering Exhibition—ABEX (0905 24366)	Bingley Hall, Birmingham
Apr. 28	International Food and Wine Exhibition (06284 2442)	Exhibition Centre, Leeds
Apr. 28—May 1	Audio Visual Exhibition (01-688 7788)	Wembley Conference Centre
May 2—5	Spring Motor Cycle Show (04866 74987)	Bingley Halls, Birmingham
May 2—6	Boat Show (0272 657783)	Exhibition Centre, Bristol
May 3—5	National Collectors Exhibition (01-629 4917)	Kensington Town Hall

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	Hanover Fair (01-651 2191) (until April 24)	Hanover
Current	International Spring Fair (01-486 1951) (until April 24)	Zagreb
Apr. 21—25	World Tobacco Exhibition (0737 68611)	Nice
Apr. 21—26	Scientific and Measurement Apparatus Exhibition (INSTRUAMA) (01-235 5422)	Brussels
Apr. 24—28	Perfumery and Cosmetics Exhibition COSMOPROF	Bologna
Apr. 29—May 2	Biochemical and Instrumental Analysis Exhibition (ANALYTICA) (01-486 1951)	Munich
May 2—9	Salon International du Textile et du Cuir (01-584 8827)	Casablanca
May 6—8	Compec Europe Exhibition (01-261 8000)	Brussels
May 7—11	Scandinavian Furniture Show (01-540 1101)	Copenhagen
May 10—13	International Trade Fair for Optometry—OPTICA (01-409 0956)	Cologne
May 14—17	International Tyre Dealers, Vulcanizers and Re-treaders Trade Fair	Essen
May 17—21	Industrial Equipment Exhibition	Brussels
May 19—21	Mint Directors Conference and Exhibition (01-486 1951)	Utrecht

BUSINESS AND MANAGEMENT CONFERENCES

Apr. 21—23	Institute of International Business Law and Practice: Arbitration and state courts (Paris 225.40.33)	Paris
Apr. 21—23	Oyez: London Insurance Conference (01-242 2481)	Grosvenor House Hotel, W1
Apr. 22	Gower: Trading with Zimbabwe (01-242 9485)	Waldorf Hotel, WC2
Apr. 23	ESC: Solving the Problems of Trade Unions in the Hotel and Catering Industries (057282 2711)	Cumberland Hotel, W1
Apr. 24—June 26	FT: City course (01-621 1355)	Basinghall Street, EC2
Apr. 28—29	FT Conference: World Pulp and Paper (01-621 1355)	Helsinki
Apr. 29	Oyez-IBC: The Measurement of Bulk Liquids at Low Temperatures (01-242 2481)	Waldorf Hotel, WC2
May 1	CCC: Directors' Duties and Liabilities under New Company Legislation (01-222 6362)	Royal Lancaster Hotel, W2
May 1—2	AMR International: Managing People for Maximum Performance (01-262 2732)	Grosvenor Hotel, W1
May 5—7	FT Conference: World Electronics—Strategies for Success (01-621 1355)	Monte Carlo
May 6—8	Compower: The Computer in Personnel Work (Cannock 2511)	Codsall, Nr. Wolverhampton
May 6—8	IPM: London Personnel Management Conference (01-387 2844)	Royal Lancaster Hotel, W2
May 7	IPS: Transportation and the Supply Function (Ascot 23711)	Royal Lancaster Hotel, W2
May 7	Wyatt Harris Graham: International Employee Benefits and Compensation in the 1980s (01-222 8033)	Bowater Conference Centre, SW1
May 8	Accountancy Study Centre: Inflation Accounting—The New Standard (01-222 2179)	The Rainbow Suite, W8
May 8—9	AMD Legal: Essential Management Law—Refresher (07535 56047)	Royal Horseguards Hotel, SW1
May 8—9	Seminars International: International Conference on Managing Foreign Exchange Risk (01-434 3355)	Copenhagen
May 11—16	University of Bradford Management: Innovation and Market Success (Bradford 491773)	Heaton Mount, Bradford

INSURANCE

Worries over the charges for water sprinklers

BY OUR INSURANCE CORRESPONDENT

THERE ARE 10 regional water authorities obliged, under the Water Act, to supply water to industrial and domestic consumers.

The Department of the Environment is the arm of government under which the authorities operate. The department does not require rigid uniformity and the various authorities, within the bounds laid down by the Water Act, reach individual decisions on the charges to be levied.

Anomalies have resulted, with different authorities taking very different views of their financial duties.

Insurers and industrialists have been concerned greatly with the very high charges fixed by the North-West Regional Water Authority for sprinkler connections: in 1978 as part of a general price restructuring these charges were not just doubled or trebled, but in some extreme cases increased up to 40 times what they had been previously.

Pressure

Protests mounted, the Department of the Environment investigated and towards the end of last year said the authority was within its legal rights. However, in these times even though legal rights are secure it is good sense to reappraise the situation—and said it would halve its sprinkler charges from April 1.

Having got itself out on a limb, the authority's climbdown was not counted sufficient: further pressure was applied. In the Commons in mid-March, Mr. Marcus Fox, Under-Secretary of State at the DoE, announced the charges were to be cut by a further 20 per cent and that there would be a minimum charge of £300.

Now, perhaps, local passions will cool, but nationally there is still the problem, not of differential pricing, but of differential pricing policy. For example, even with its 70 per cent cut in the North-West Authority is charging a deal more for sprinklers than previously, while the Severn-Trent Water Authority has abolished its availability charges for sprinklers.

The capital cost of a sprinkler installation, of its basic connection to the water supply, is quite rightly a cost that has to be met by the industrial consumer.

The argument is about the charge for the availability of water to meet the potential demand of sprinkler installations: many hold that it costs each water authority much more to have available large supplies of water for fire brigades than to have available small supplies of water for sprinkler installations.

If this is so—and evidence must be obtainable from some, if not all, of the ten authorities—then there is a very strong case for the DoE to encourage all authorities to follow the example of Severn-Trent, and abolish availability charges altogether.

Total cost

Moreover, it is in the public interest that increasing numbers of sprinklers are installed. Direct fire wastage is now running at more than £1m a day, and regrettably many major fires occur in premises still unsprinklered.

Last year there were four British conflagrations costing close on £48m, while in January there was the British Aerospace fire where the bill is still not calculable, but where the total cost to insurers may be in excess of £80m. Last year there was a £2.5m fire at Manchester Woolworth's when ten people died. None of these premises were sprinklered—and so it is a matter for considerable debate how much property and how many lives might have been saved had sprinklers been installed.

In each case local fire brigades had to mount a massive exercise to ge the fires under control, to prevent wider destruction. Perhaps the water authorities concerned should try to cost the actual consumption of water on these occasions—if they do, and logically assess the facts, perhaps we might even end up with the water authorities charging the unsprinklered factory more than the sprinklered, because of its greater potential cost if fire occurs.

Growers in move to boost British apples

FRIUT GROWERS in the Fens are inviting the public into their orchards at apple blossom time in the hope of persuading them to buy British and fight off increasing competition from French imports.

Mr. Tony Godfrey, secretary of the Fruit Groyers' Association, said yesterday: "We would like the public to see our orchards at blossom time and come back later in the year to see the fruit being graded and packed."

LEGAL NOTICES

THE COMPANIES ACTS 1948 TO 1967

J. M. HILL & SONS

NOTICE IS HEREBY GIVEN, pursuant to section 293 of the Companies Act 1948, that a Meeting of the Creditors of the above-named Company will be held at Winchester House, 100 Old Broad Street, London, E.C.2, on Friday, the 2nd day of May 1980, at 12 o'clock noon, for the purposes mentioned in sections 294 and 295 of the said Act.
Dated this 14th day of April 1980.
By Order of the Board,
V. R. HILL, Director.

R. M. G. PANEL PRODUCTS LIMITED
NOTICE IS HEREBY GIVEN pursuant to Section 293 of the Companies Act, 1948, that a Meeting of the creditors of the above-named Company will be held at the offices of Leonard Curtis & Co., situated at 3/4 Bentinck Street, London W1A 3BA on Thursday the 24th day of April 1980 at 12 o'clock midday, for the purposes provided for in Sections 294 and 295.
Dated the 8th day of April 1980.
A. GRAY, Director.

THE COMPANIES ACTS 1948 TO 1967

RAMINAX CLOTHIERS LIMITED
NOTICE IS HEREBY GIVEN that the Creditors of the above-named Company are required on or before the 8th day of May 1980, to send their names and addresses and the particulars of their debts or claims, and the names and addresses of their Solicitors if any, to Philip Monjack, FCA, of 3/4 Bentinck Street, London W1A 3BA, the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are by their Solicitors, or personally, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 3rd day of April 1980.
P. MONJACK, Liquidator.

PUBLIC NOTICES

BUCKINGHAMSHIRE COUNTY COUNCIL announce that the interest rate on their Variable Rate Redeemable Stock 1982 for the period 21st April 1980—21st October 1980 is 8.7188 being equal to ¾% per annum above the average six month Sterling Deposit rate offered at or about 10.00 am on the 18th April 1979.

TRAVEL

CONTRACTS AND TENDERS

Snim s.e.m.

SOCIETE NATIONALE INDUSTRIELLE ET MINIERE (SNIM)

SOCIETE D'ECONOMIE MIXTE (SEM)
EQUITY UM 9,059,500,000
HEAD OFFICE NOUAKCHOTT
REGISTERED NUMBER 4579 NOUAKCHOTT

ISLAMIC REPUBLIC OF MAURITANIA

NOTICE OF PREQUALIFICATION—E

Société Nationale Industrielle et Minière (SNIM) plans to let supply and works contracts for the exploitation of new iron ore deposits to be mined in Mauritania. In order to finance the cost of this Project—some $400m—SNIM has requested loans from the following organisations:

— ABU DHABI FUND FOR ARAB ECONOMIC DEVELOPMENT
— ARAB FUND FOR ECONOMIC AND SOCIAL DEVELOPMENT
— BANQUE AFRICAINE DE DEVELOPPEMENT
— BANQUE EUROPEENNE D'INVESTISSEMENTS
— BANQUE INTERNATIONALE POUR LA RECONSTRUCTION ET LE DEVELOPPEMENT
— CAISSE CENTRALE DE COOPERATION ECONOMIQUE (FRANCE)
— KUWAIT FUND FOR ARAB ECONOMIC DEVELOPMENT
— OPEC SPECIAL FUND
— OVERSEAS ECONOMIC COOPERATION FUND (JAPAN)
— SAUDI FUND FOR DEVELOPMENT

These organisations intend to apply the proceeds of these credits—which will be available in various currencies—to eligible payments under the contracts for which this notice has been issued. Payment by these organisations will be made only at SNIM's request and upon approval by the same organisations in accordance with the terms and conditions of the Loan agreements, and will be subject, in all respects, to the terms and conditions of these agreements. Except as the organisations may specifically otherwise agree no party other than SNIM shall derive any right from the Loan agreements or have any claim to loan proceeds.

Société de Coopération Minière et Industrielle (SOCOMINE), Paris, has been entrusted by SNIM with the management of this project.

This notice of prequalification covers the following equipment supply and works:

E.1 — Erection of steel framework and overhead cranes (under manufacturer's supervision).
This erection work is to be carried out at the El Rhein Site near Zouérate (Mauritania) and concerns:
—8,000 tonnes (about) of miscellaneous framework (or beneficiation plant 56 MW power plant and industrial buildings).
—28 overhead cranes ranging from 5,000 to 80,000 daN capacity.

E.2—Mechanical and electrical installation in the El Rhein site of machine and machine-tool equipping miscellaneous maintenance workshops service stations.

E.3 — Supply of 7 dust collecting filters with associated fans (bag filters with automatic de-clogging. Air output: 10,000 to 70,000 m3/h).

In order to select those firms which be retained for the final calls for tenders issued by SNIM/SOCOMINE for the completion of this Project, all contractors interested in the above mentioned supply and works contracts are requested to send SOCOMINE a prequalification application, along with relevant documents and pamphlets showing clearly:

(i)—Registered name, equity (*), annual report, (*) and balance sheet (*).
(ii)—Information on the equipment manufactured, or work performed, similar to that required, and references.
(iii)—Plants where this equipment is manufactured (location and size). Present work load. Anticipated future work load, expressed in percentage of rated capacity, on a quarterly basis.
(iv)—Customer service and supply of spare parts.
(v)—Anticipated delivery time after orders are placed. Anticipated delivery time of working drawings and technical installation specifications after orders are placed. Time required to prepare bids.
(*) unnecessary for the contractors who have already sent an application for Prequalification Notice A, B, C or D.

This application will state the number and identification of the lot or lots which are sought. It should be sent in time to arrive, before 21st May 1980, at the following address:

Société de Coopération Minière et Industrielle
(SOCOMINE)
30, rue Cambronne
75015 - PARIS - France

under reference: "Projet Guelbs" — Avis de Préqualification "E."

SNIM/SOCOMINE reserve the right to check the statements issued by the contractors regarding their ability to perform the concerned work.

SNIM/SOCOMINE also reserve the right to turn down a bid from a prospective contractor, without substantiating their decision.

The prequalified contractors will be notified by letter. This will specify, among other things, the non refundable amount to be paid by each contractor to receive the tender documents.

These will only be available in French.

Prequalified contractors will have to pay a deposit when sending their offer.

NATIONAL ELECTRIC POWER AUTHORITY (NEPA) LAGOS, NIGERIA.

LAGOS DISTRIBUTION SYSTEM EXPANSION 1979
Nepa Project No. 252/1

Invitation to prequalification of prospective bidders

NEPA is undertaking an extension of the Distribution System of Lagos Metropolitan area. The project forms part of this extension and will consist of the following contracts:

LOT D 2 No. Substations 132/11 kV for 20 MVA transformers, 11 kV *metalclad switchgear for indoor installation.*
LOT E 12 No. Substations 33/11 kV for 15 MVA transformers, 33 kV and 11 kV metalclad switchgear for indoor installation.

These contracts consist of the manufacture, supply, transport, erection, and commissioning of all electrical equipment including steel structures and equipment supporting structures for 132 kV switchyard (transformers supplied from NEPA stock). Civil works are not included.

The European Investment Bank has been approached with the view to financing the foreign portion of Lots D and E. Participation in the prequalification is open at least to firms originating from countries of the European Economic Community and countries associated to it through the Lomé Convention.

Expenses incurred in Nigeria will be paid in Nigerian currency only.

For prequalification the prospective bidders will have to clearly demonstrate their experience in manufacture of 33 kV and 11 kV indoor metalclad switchgear.

Firms interested in prequalification may request the "Questionnaire for Prequalification of Prospective Bidders" immediately from the offices of the Consulting Engineers, Motor-Columbus/ G. F. Appio & Associates as below:

MOTOR-COLUMBUS Consulting Engineers Inc., CH-5401 Baden, Switzerland. Telex: 54 532 moco ch	or	G. F. APPIO & ASSOCIATES 24 Femi Ayantuga Crescent, off Adebula Street, Surulere, P.O. Box 3600, Lagos, Nigeria.

A copy of the application and completed questionnaires are to be submitted by May 28, 1980, to:

Director of Substation and Lines Department,
National Electric Power Authority,
P.M.B. 12030,
Lagos, Nigeria.

COMPANY NOTICES

TOKYU DEPARTMENT STORE CO., LTD.

NOTICE TO EDR HOLDERS

NOTICE IS HEREBY GIVEN that the annual Shareholders' Meeting for the 117th term will be held at 10 a.m. Tokyo time on Monday, April 28th, 1980 at the Toyoko Theater, Toyoko Store Blue Building, Tokyu Department Store Co., Ltd., 1-1-1, Dogenzaka, Shibuya-ku, Tokyo, Japan.

Details of the Agenda are as follows:
(i) Recognition of the Balance Sheet as at January 31st, 1980, and Annual Report, Income Statement and proposed disposition of income for the year ended January 31st, 1980.
(ii) Retirement compensation for the Auditor.

Net sales for the year ended January 31st, 1980 amounted to US$990,921,000, net income amounted to US$9,103,000 and, as already announced to EDR holders, the year-end dividend, subject to shareholders' approval, will be Yen 3.00 per share. A fuller statement of income is available at the offices of The Chase Manhattan Bank, N.A., Woolgate House, Coleman Street, London EC2P 2HD, and at Chase Manhattan Bank Luxembourg, S.A., 47, Boulevard Royal, Luxembourg, and at Morgan Guaranty Trust Company of New York, Avenue des Arts 35, 1040 Brussels and at Kredietbank S.A. Luxembourgeoise, 37, rue Notre Dame, Luxembourg.

EDR holders wishing to exercise their voting rights should comply with the instructions contained within Condition 12 of the EDRs not later than April 23rd. In this case it will not be necessary to deposit the EDRs or any coupons detached therefrom.

THE CHASE MANHATTAN BANK, N.A., London as Depositary

April, 1980.

NOTICE OF REDEMPTION

EUROPEAN COAL AND STEEL COMMUNITY (E.C.S.C.)
US$15,000,000 6½% 20 YEAR BONDS OF 1966 DUE 15TH JUNE, 1986

The Commission of the European Communities announces that the annual instalment of Bonds amounting to US$1,000,000 has been purchased for redemption on 15th June, 1980.

STATE LOAN OF THE KINGDOM OF HUNGARY

7½% (Now 2.75 per cent) STERLING BONDS 1924

N. M. ROTHSCHILD & SONS LIMITED announce that the Coupons due 1st May 1980 from bonds which have been assented in London to the 1968 Offer may now be lodged with them listed on the special forms which can be obtained on application. Coupons will be received on any business day between 9.30 a.m. and 2.00 p.m. and must be left for an appropriate period for examination.

New Court,
St. Swithin's Lane,
London EC4P 4DU.
21st April 1980.

LEGAL NOTICES

IN THE MATTER OF BASIC REPRO LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 22nd day of May, 1980, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned Philip Monjack, FCA, of 3/4 Bentinck Street, London W1A 3BA, the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 11th day of April 1980.
P. MONJACK, Liquidator.

ETHIOPIA

EXTENSION OF CLOSING DATE OF INVITATION NO. T-07/72

The Provisional Military Government of Socialist Ethiopia, Ethiopian Roads Authority, announces that the closing date of Invitation No. T-07/72, for the purchase of Road Construction and Maintenance Equipment, is extended to May 30, 1980, at 10.00 hours Addis Ababa time. All bidders who have picked tender documents and all others *interested to participate are advised* to note the change and submit their bids on or before the new closing date and time.

"ETHIOPIAN ROADS AUTHORITY"

Dutch shipping group lifts dividend

BY OUR FINANCIAL STAFF

HIGHER profits and a partial restoration of dividend are announced by Nedlloyd, the largest shipping and transport group in Holland.

More than trebled operating results have helped lift net profits for 1979 to Fl 64.1m ($31.4m) from the Fl 40.6m of 1978. The divedend is going up from Fl 6 to Fl 8 per share.

The result represents a solid recovery for Nedlloyd and the company points out that profits for 1980 should show further progress. It expects, on balance, to achieve profits slightly up on 1979.

In 1974, which was something of an exceptional year for the company, net profits of Fl 147m were returned and shareholders received a dividend of Fl 11 a share.

In shipping, Nedlloyd operates over 70 conventional cargo vessels and seven container and RO-RO ships. But its main investment drive in recent years has been into bulk carriers, notably special tankers.

Outside shipping, the company operates a string of subsidiaries involved in transport services and supplies, car sales and a small hotel chain.

* * *

THE LARGE shipbuilding yards in Rotterdam can expect losses larger than those already forecast writes Charles Battchelor from Amsterdam.

In a letter to Parliament the Dutch Government says that Rotterdamse Offshore en Scheepsbouw Combinatie (ROS) would absorb funds which could be better spent on other parts of the shipbuilding industry.

The management of ROS had estimated that a further Fl 100m ($48m) would be needed on top of the Fl 250m already promised to make the company viable. The Government, however, estimates that up to Fl 155m might be needed, as well as Fl 10-30m to cover the risks of work in hand a state guarantee for a further Fl 100m.

A worsening of market prospects, delays in plans to build LNG tankers and indications that even greater losses would be made on offshore structures mean that the future is gloomier than was thought earlier.

The cost of closing down the ROS yards would add only Fl 30m to the Fl 250m already promised the company. Closure would mean no Dutch yard would be able to build vessels of more than 80,000 dwt.

Profit rise at Austrian Airlines

By Paul Lendvai in Vienna

AUSTRIAN Airlines reports an increase of 7 per cent in passenger traffic for 1979 to a peak of 1.72m, and a rise of Sch 494m to Sch 3.49bn in operating revenues. Load factor also improved by 1.3 per cent to 50.9 per cent. Dividend is unchanged at 8 per cent, including a 4 per cent bonus.

Net profit last year was Sch 67m compared to Sch 52m. However, the financial situation of the company was adversely affected by a 56 per cent jump in fuel costs. Regular flights accounted for 65.4 per cent of the gross operating revenues, charter traffic for 15 per cent and freight for 5.5 per cent.

The Board also announce that by 1984, Sch 2.4bn, of the total budgeted investments of Sch 2.9bn, will be spent on the purchase of new DC 9-80 aircraft. About 77 per cent of capital spending will be covered by cash-flow.

Alfa-Laval earnings to improve further

BY VICTOR KAYFETZ IN STOCKHOLM

SWEDEN'S Alfa-Laval group predicts that its industrial sector—which makes food processing, dairy, separation, marine, thermal and other equipment—will account for most of an expected rise in earnings for 1980

The annual accounts also revise upward to SKr 391m ($90m) the 1979 pre-tax profit before extraordinary items The preliminary figure published in February was SKr 380m, up from SKr 321m in 1978

The industrial sector accounted for 47 per cent of last year's group sales of SKr 549bn ($126bn)—higher than the SKr 5.42bn sales figure stated in February—but the sector increased its turnover by only 5 per cent and showed no increase in return on capital.

But sailes in this sector will surge in 1980 s complete plants and other large orders from early 1979 are delivered this year. In the absence of last year's major restrtucturing costs, profits in the industrial sector will rise markedly, the annual report says.

Alfa-Laval is more cautious about 1980 prospects for its Agri-group, which makes milking, fertilising and other farm equipment, citing the likelihood of restrictive measures on milk production in the EEC countries.

Mr. Hans Stahle, the managing director, writes that after declining profitability in the first half of the 1970s, Alfa-Laval's return on total operating capital had improved from 11.4 per cent in 1978 to 12.3 per cent last year. Given high inflation and inteerst rates, however, a 15 per cent rate is necessary, he stresses.

During the 1970s the group financed more than 90 per cent of its SKr 2.3bn in investment costs from internal sources despite heavy research and marketing outlays.

American Motors setback

By John Makinson in New York

SECON QUARTER earnings of American Motors, the smallest U.S. car producer, have been decimated by soaring fuel costs, record interest rates and reduced business activity.

In the three months to March 31, earnings slithered to $1.3m from $32m, while sales showed only a marginal increase, from $773.4m to $789.3m. The company said that credit restrictions and a decline in the real income of consumers had been placing profits under severe pressure.

Sales for the quarter were helped by AMC's recently concluded agreement with Renault, under which the U.S. company distributes Renault cars in the U.S. The two companies have also a joint manufacturing venture.

Unit sales in the second quarter increased to 103,703 from 99,743. This year's figure includes 13,066 imported Renault vehicles.

CURRENCIES, MONEY and GOLD

Pound maintains dollar link

BY COLIN MILLHAM

Sterling's trend over a period of years has tended to link its movements more closely with the the U.S. dollar than the major European currencies, and this still appears to hold true in spite of Britain's closer economic ties with the Continent.

Since the beginning of the year the pound has traded within a range of $2.1390 to $2.3130 against the U.S. currency, and finished last week at $2.2200, unchanked from the end of 1979. Taking the figure at the end of last year as a base, sterling has almost always been within 4 per cent either side of $2.2200, while other currencies have swung through much wider ranges.

At its worst level, touched at the beginning of this month the German D-mark, had fallen by 12½ per cent against the dollar in only three months. Movements against other European currencies were similar, because many are tied to each other through the European Monetary System, while several others outside the EMS such as the Swiss franc, are effectively kept within a very narrow range against the D-mark by the central banks.

The French franc has been the most successful EMS currency this year, and for this reason the farnc's decline against the dollar was slightly less than its German partner, but still came out at a hefty 11.4 per cent.

During the first quarter of the year the Swiss National Bank was active supporting the Swiss franc against both the dollar and the D-mark, and this was reflected in the franc's fall of slightly less than 15 per cent against the dollar.

On the other hand the Japanese yen fell by less than 7 per cent aganist the dollar between the end of December and early April, partly because of heavy intervention by the Bank of Japan. But also because the yen had weakened sharply last year on fears that Japan was running into problems over energy supplies.

These currencies lost ground against the dollar as U.S. interest rates continued to rise, but following the cut in prime lending rates last week, the picture has been reversed.

In spite of fears of unrest in the Middle East, leading to conflict between the USSR and the West, the dollar is still much stronger against other major currencies than when the Soviet Union invaded Afghanistan on Christmas Eve.

This reflects the fact that New York interest rates are much higher than at the beginning of the year, while international rates have generally been forced up to prevent the differential with the U.S. becoming too great.

On the other hand, sterling's advance against European currencies has been largely a reflection of the increasing value of North Sea oil. The pound is now worth DM 4.1200 after touching a peak of DM 4.2250 at the beginning of April, but compared with only DM 3.8300 on December 31.

GOLD

	April 18		April 17	
Gold Bullion (fine ounce)				
Close	$510-515	(£229-223½)	$509-514	(£228½-231)
Opening	$510-516	(£229-231½)	$510-515	(£228½-231)
Morning fixing	$511.75	(£230.052)	$511.50	(£229.269)
Afternoon fixing	$515.60	(£231.283)	$513	(£229.633)
Gold Coins				
Krugerrand	$527-532	(£235½-239½)	$524-529	(£235-238)
Mapleleaf	$518-528	(£232-237)	$515-525	(£231-236)
New Sovereigns	$131-133	(£58¾-60¾)	$130-132	(£58¼-60¼)
King Sovs	$159-163	(£71¼-73¾)	$160-164	(£71-74)
Victoria Sovs	$159-163	(£71¼-73¾)	$160-164	(£71-74)
French 20s	$139-144		$138½-143½	
50 pesos Mexico	$635-645		$645-650	
100 Cor. Austria	$505-512		$500-510	
$20 Eagles	$640-645		$645-650	
$10 Eagles	—		—	
$5 Eagles			—	

OTHER CURRENCIES

April 18	£	$		£ Note Rates
Argentina Peso	3930-3950	1764-1771	Austria	29.25-29.55
Australia Dollar	2.0280-2.0320	0.9105-0.9110	Belgium	67.70-68.40
Brazil Cruzeiro	107.07-108.07	48.14-48.34	Denmark	12.80-12.87
Finland Markka	8.43-8.44	3.7890-3.7910	France	9.52-9.58
Greek Drachma	93.212-95.400	41.80-42.10	Germany	4.11¼-4.14¼
Hong Kong Dollar	11.08-11.10	4.9760-4.9790	Italy	1908-1965
Iran Rial	n/a	n/a	Japan	562-557
Kuwait Dinar (KD)	0.605-0.615	0.2743-0.2744	Netherlands	4.50½-4.54½
Luxembourg Frc.	66.15-66.25	29.80-29.82	Norway	11.18-11.19
Malaysia Dollar	5.0675-5.0775	2.2750-2.2770	Portugal	105-110½
New Zealand Dlr.	2.3350-2.3400	1.0480-1.0495	Spain	163¾-161½
Saudi Arab. Riyal	7.34-7.44	3.3270-3.3320	Sweden	9.61-9.66
Singapore Dollar	4.9300-4.9400	2.2090-2.2140	Switzerland	3.84-3.87
Sth. African Rand	1.7895-1.7915	0.8060-0.8070	United States	2.220-2.229
U.A.E. Dirham	8.24-8.34	3.7345-3.7375	Yugoslavia	49-51¾

Rate given for Argentina is free rate.

THE DOLLAR SPOT AND FORWARD

April 18	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.2175-2.2330	2.2195-2.2205	0.07-0.17c dis	−0.65	0.07-0.17dis	−0.22
Ireland†	2.0165-2.0240	2.0165-2.0185	0.10c pm-par	0.30	0.50-0.40 pm	0.89
Canada	1.1825-1.1841	1.1838-1.1841	0.22-0.17c pm	1.98	0.44-0.39 pm	1.40
Nethlnd.	2.0280-2.0410	2.0335-2.0355	1.27-1.22c pm	7.34	3.45-3.40 pm	6.73
Belgium	29.79-29.87	29.80-29.82	1c pm-1 dis	—	6-2 pm	0.54
Denmark	5.7700-5.7925	5.7725-5.7775	0.75-1.50ore dis	−2.34	2.75-3.50dis	−2.16
W. Ger.	1.8420-1.8570	1.8545-1.8555	1.40-1.30pf pm	8.73	3.85-3.75 pm	8.19
Portugal	49.93-50.30	50.05-50.25	par-15c dis	−1.79	5.45 dis	−1.99
Spain	71.40-71.70	71.40-71.55	10-30c dis	−3.36	45-75 dis	−3.36
Italy	869-871	870-871	par-1lire dis	−0.69	1-2½ dis	−0.80
Norway	5.0290-5.0400	5.0340-5.0370	1.70-1.20ore pm	3.45	4.40-3.90 pm	3.30
France	4.2975-4.3070	4.2975-4.3025	1.93-1.83c pm	5.24	4.90-4.70 pm	4.46
Sweden	4.3430-4.3455	4.3430-4.3450	1.50-1.30ore pm	3.87	3.60-3.40 pm	3.22
Japan	248.25-249.50	248.95-249.05	1.15-1.00y pm	5.18	2.60-2.45 pm	4.06
Austria	13.20-13.22½	13.20-13.22	8.90-8.20gro pm	7.77	25.00-22.50pm	1.19
Switz.	1.7150-1.7425	1.7405-1.7415	1.58-1.50c pm	10.61	4.41-4.31 pm	10.02

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

April 18	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.2175-2.2330	2.2195-2.2205	0.07-0.17c dis	−0.65	0.07-0.17dis	−0.22
Canada	2.6250-2.6450	2.6290-2.6300	0.40-0.30c pm	1.60	0.87-0.77 pm	1.25
Nethlnd.	4.51-4.56	4.53½-4.54½	2¼-1¾c pm	5.95	7½-6½ pm	6.17
Belgium	66.10-66.50	66.15-66.25	2c pm-8dis	−0.54	9 pm-1dis	0.24
Denmark	12.81-12.88	12.83-12.84	2½-4½ore dis	−3.10	7¾-10 dis	−2.71
Ireland	1.1000-1.1040	1.1010-1.1020	0.07-0.02p pm	0.49	0.29-0.23 pm	0.94
W. Ger.	4.11-4.14	4.11½-4.12½	3¼-2¼pf pm	8.01	8¾-7¾ pm	8.01
Portugal	110.75-111.40	110.85-111.05	5-45c dis	−2.70	20-120 dis	−2.52
Spain	158.40-159.05	158.50-158.60	15-60c dis	−2.84	115-180 dis	−3.72
Italy	1928-1938	1933-1934	¾-2¾lire dis	−0.77	2-4 dis	−0.62
Norway	11.16-11.22	11.17-11.18	3¼-1¾ore pm	2.68	8¾-¾ pm	2.71
France	9.56-9.60	9.58-9.59	4¾-3¼c pm	4.89	10½-9½ pm	4.17
Sweden	9.63-9.69	9.64-9.65	3¼-2¼ore pm	3.42	8-7ore pm	3.11
Japan	550-558	552½-553½	2.25-1.90y pm	4.50	5.20-5.40 pm	4.05
Austria	29.27-29.42	29.30-29.35	18-14gro pm	6.55	53-43 pm	6.55
Switz.	3.83-3.88	3.86-3.87	3½-2½c pm	9.31	9¾-8¾ pm	9.44

Belgian rate is for convertible francs. Financial franc 67.55-67.65. Six-month forward dollar 0.07-0.17c dis. 12-month 0.85-0.70c pm.

EURO-CURRENCY INTEREST RATES

The following nominal rates were quoted for London dollar certificates of deposit: one-month 17.40-17.60 per cent; three-months 17.20-17.40 per cent; six months 16.30-16.40 per cent; one year 14.80-15.00 per cent.

April 18	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
†Short term	17⅛-17⅜	17½-17¾	8½-9½	10⅝-10⅞	5½-6½	11⅛-11⅜	12¼-12½	11-13	17½-17⅞	11-11½
7 days' notice	17¼-17½	17½-17¾	8½-9½	10⅝-10⅞	6½-7½	11⅛-11⅜	12¼-12½	15-17	17½-17⅞	11⅛-11¾
Month	17⅜-17⅝	17⅛-17⅜	14⅝-14¾	10⅜-10⅝	6⅛-6⅜	8⅞-9⅛	12⅛-12⅜	17-19	17⅝-17¾	12¼-12½
Three months	17⅜-17⅝	17⅜-17⅝	15¼-15⅝	10¾-11	7¼-7⅝	8⅞-9	12⅝-12⅞	17½-18½	17⅜-17½	13-13¼
Six months	16½-16⅝	16⅜-16⅝	15-15⅜	10⅞-11⅛	7⅛-7⅝	8⅞-8⅞	13-13¼	17-18	16⅝-16½	12½-12¾
One year	15⅝-15⅞	15⅛-15⅜	14⅝-14¾	11-11¼	6⅝-6¾	8⅞-9	13½-13⅝	17½-18½	15-15⅛	11¼-11½

Long-term Eurodollar two years 13¾-13⅞ per cent; three years 13¼-13½ per cent; four years 13-13¼ per cent; five years 12⅞-13⅛ per cent; nominal closing rates Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two days' notice. Asian rates are closing rates in Singapore.

LONDON MONEY RATES

April 18 1980	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills ⊕	Eligible Bank Bills ⊕	Fine Trade Bills ⊕
Over night	—	10-17½	—	—	—	16-17¾	15-17	—	—	—
2 days notice	—	—	17⅝-17⅞	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	17¼-17½	17¾-17⅞	—	17¾	17⅝-18	16⅞-17	—	—	—
One month	17⅛-17⅜	17⅛-17⅜	17⅝	18¾-18⅛	17¾	17⅛-18	16¾	15⅞-15⅞	17⅛-17⅛	17¾
Two months	17⅛-17⅜	17⅝-17⅞	—	18⅜-18⅛	17¾	—	16⅝-16¾	16⅛	17⅛	17⅝
Three months	17⅛-17¼	17⅝-17½	17⅝-17¾	17⅞-17⅞	17½	17⅞-18	16⅝-16¾	16⅛	17	17¼
Six months	16½-16⅝	16⅜-16⅝	16½-16⅝	16¾-16¼	17	17½	—	—	15⅝-15⅝	16
Nine months	15⅞-15⅞	16-16⅛	—	16½-16¼	16⅜	—	—	—	—	—
One Year	15¾-15⅝	15¾-15⅞	15¾-16	16½-15⅞	16⅛	16¾	—	—	—	—
Two years	—	—	15¾-16	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. *Long-term local authority mortgage rates nominally three years 15¾-15⅞ per cent; four years 14¾-15⅞ per cent; five years 14¾-15 per cent. ⊕Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 16⅝ per cent; four-month trade bills 17 per cent.

Approximate selling rates for one-month Treasury bills 15[illegible] per cent; two-months 15[illegible] per cent; three-months 16[illegible]-16 3-64ths per cent. Aproximate selling rates for one-month bank bills 17⅛-17[illegible] per cent; two-months 17 per cent; three-months 16¾ per cent; one-month trade bills 17½ per cent; two-months 17⅜ per cent and three-months 17 per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 18 per cent from April 1, 1980. Clearing Bank Deposit Rates for sums at seven days' notice 15 per cent. Clearing Bank Rates for lending 17 per cent. Treasury Bills: Average tender rates of discount 16.1176 per cent.

CURRENCY RATES

April 18	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	17	0.573198	0.610067
U.S. $	15	1.27508	1.35805
Canadian $	15.96	1.51046	1.60576
Austria Sch	6¾	16.8382	17.9265
Belgian F	14	38.0261	40.4632
Danish K	13	7.38590	7.84615
D'Mark	7	2.36272	2.51376
Guilder	9½	2.59606	2.76228
French Fr.	9½	5.48667	5.84370
Lira	15	1108.04	1180.15
Yen	9	317.495	337.406
Norwgn. Kr.	9	6.40919	6.83847
Spanish Pts.	8	91.0662	97.2366
Swedish Kr.	10	5.64048	5.90006
Swiss Fr.	3	2.19569	2.33657

PENDING DIVIDENDS

	Date	Announcement last year
Allied Irish Banks	May 16	Final 7.143
*Amal. Metal	Apr. 23	Final 10.9
*Amal. Power	Apr. 24	Final 2.948
ANZ Bank	May 21	Int. 10 cents
Avon Rubber	May 23	Int. 4.0
*B.A.T. Inds.	Apr. 30	Final due
BOC Intl.	May 23	Int. 1.9
*BSG	Apr. 23	Final 1.464
*Bank of Ireland	May 14	Final 11.0
Beecham	May 24	Final 12.075
Berec	May 23	Final 3.581
*Blue Circle	Apr. 23	Final 7.212
Boots	May 24	Final 3.5
*British Home Stores	May 12	Final 3.9
*British Sugar	May 8	Int. 1.815
Brixton Est.	May 8	Final 0.93
Brockhouse	May 23	Int. 2.0
*Brown Boveri Kent	Apr. 22	Final 1 2
Brown (Matthew)	May 17	Int. 1.25
*Bunzl	Apr. 29	Final 2.285
Capital and Counties	May 24	Final 1.41
Cater Ryder	May 14	Final 14.719
Central and Sherwood	May 1	Final 0.704
Coats Patons	May 15	Final 2.342
Costain	May 8	Int. due
Courtaulds	May 24	Final 5.674
Debenhams	May 16	Final 4.324
*Dunlop	Apr. 24	Final 2.65
Duport	May 16	Final 2.983
Dutton-Forshaw	May 17	Final 1.83
European Ferries	May 8	Final 1.98
Exchange Telegraph	May 24	Final 4.0335
*Farnell Elecs.	Apr. 22	Final 4.79
*Foseco Minsep.	Apr. 28	Final 3.0
French Kier	May 14	Final 1.1
Garrard and Nat. Dis.	Apr. 28	Final 5.124
Greenall Whitley	May 25	Int. 1.53
Hall (Matthew)	May 9	Final 6.519
*Hammerson Prop.	Apr. 25	Final 5.097
Heath (C.E.)	May 15	Final 3.8
Hoveringham	Apr. 26	Final 1.635
K Shoes	May 24	Int. 0.85
Keyser Ullman	May 23	Final due
Kwik Save	May 4	Int. 1.1
Laing (J.)	Apr. 30	Final 1.5
*Leird Group	May 3	Final 1.52
*Laporte	Apr. 23	Final 4.632
*Lloyds and Scottish	May 15	Int. 1.87
London and Northern	May 9	Final 2.1
Mallinson-Denny	May 9	Final 1.868
Marks and Spencer	May 8	Final 1.459
*Menzies (J.)	Apr. 23	Final 2.12
Mothercare	May 8	Final 2.156
Mowlem (J.)	Apr. 26	Final 5.608
National and Comm. Bk.	May 4	Int. 1.375
Newarthill	May 1	Final 5.324
Newman Inds.	May 10	Final 4.5
*Pearson Longman	Apr. 22	Final 3.684
*Pearson (S.)	Apr. 22	Final 4.9956
*P & O	May 7	Final 3.542
Phillips' Lamps	May 8	Final due
RHM	May 15	Int. 1.452
*Rnsme. Hoffmn. Pollard	May 19	Int. 1.44
Readicut	May 14	Final 1.244
Sainsbury (J.)	May 9	Final 4.85
Sears	May 9	Final 0.94
Serck	May 11	Int. 2.2
*Simon Eng.	Apr. 28	Final 6.065
*Tarmac	Apr. 29	Final 6.234
*Telephone Rentals	Apr. 30	Final 4.802
*Tozer Kemsley	Apr. 22	Final 2.535
Trafalgar Hse.	May 15	Int. 2.11
UDS	May 14	Final 3.345
Vaux Breweries	May 11	Int. 1.842
*Vickers	Apr. 24	Final 5.984
Whitbread	May 15	Final 3.477
Whitbread Inv.	May 17	Final 2.903

*Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

RECENT ISSUES

EQUITIES

Issue Price p:	Amount Paid Up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price p:	+ or −	Div. or Amount	Times Covered	Gross Yield	P.E. Ratio
50	50p	—	140	85	Berkley Exploration	125					
**	F.P.	—	190	135	Hamerdon Mining 10p	180					
‡	F.P.	7/5	89	70	Lon.Merc'tSecs.Defd	83	−2				
190	F.P.	—	101	94	Morley (R.H.) 10p	100		b4.75	1.9	6.8	18.0
[illegible]	F.P.	—	110	87	Roche Plant 10p	87					
110	F.P.	6/6	104	10	Trst.ofProp.Shrs.5p	10					
**	F.P.	—	22	20	Ward Hldgs. Dfd	21					

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price £	+ or −
100p	F.P.	—	101	98	Edwards (L.C.) 8% Conv. Red. Cum. Pref.	100	
[illegible]	2/9	[illegible]	112	104	Globe Inv. Tst. 11% Conv. Uns. Ln. '90-95	106	
[illegible]	F.P.	[illegible]	100	95	Imp. Cont. Gas [illegible] Conv. Loan [illegible]	99	−1
[illegible]	F.P.	[illegible]	105	100	Leigh Interests [illegible] Conv. Uns. Ln. [illegible]	105	+1
[illegible]	F.P.	29/5	95	93	Mid Kent Water 9% Red. Pref. 1985	94	
104	£10	—	10	10	Mid Southern 10% Red Prf. 1985	10	
[illegible]	F.P.	24/5	97	94	Rick'm'nw'h & Uxbridge Wtr. [illegible]	95	
[illegible]	F.P.	30/5	99	98	Sutton District Water 10pc Red Pref. 1985	98	

"RIGHTS" OFFERS

Issue Price p:	Amount Paid Up	Latest Renunc. Date		1980 High	1980 Low	Stock	Closing Price p:	+ or −
135	F.P.	21/3	2/5	167	155	AGB Research	175	
225	F.P.	—	—	358	283	Aran Energy	338	+15
30	Nil	—	—	95pm	90pm	Brent Chemicals	18pm	−4
60	F.P.	[illegible]	[illegible]	945	650	Hammerson Prop. A	845	
48	Nil	25/4	23/5	17pm	10pm	Howard Tenens	18pm	−1
60cts	Nil	—	—	45pm	15pm	Pancontinental	265pm	+25
68	F.P.	—	13/6	75	68	United Biscuits	72	
110	Nil	23/4	13/6	16pm	13pm	Watmoughs	16pm	

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimate. *g* Assumed dividend and yield. *u* Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ! Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. *pt* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. ‡‡ Issued *as units comprising 2 participating pref. shares and 1 ord. share at R3.50 per* unit. † Dealings under special rule.

BASE LENDING RATES

A.B.N. Bank	17 %	■ Guinness Mahon	17 %
Allied Irish Bank	17 %	■ Hambros Bank	17 %
Amro Bank	17 %	■ Hill Samuel	§17 %
American Express Bk.	17 %	C. Hoare & Co.	†17 %
Henry Ansbacher	17 %	Hongkong & Shanghai	17 %
A P Bank Ltd.	17 %	Industrial Bk. of Scot.	17½ %
■ Arbuthnot Latham	17 %	Keyser Ullmann	17 %
Associates Cap. Corp.	17 %	Knowsley & Co. Ltd.	19 %
Banco de Bilbao	17 %	Langris Trust Ltd.	17 %
Bank of Credit & Cmce.	17 %	Lloyds Bank	17 %
Bank of Cyprus	17 %	Edward Manson & Co.	18 %
Bank of N.S.W.	17 %	Midland Bank	17 %
Banque Belge Ltd.	17 %	■ Samuel Montagu	17 %
Banque du Rhone et de la Tamise S.A.	17½ %	■ Morgan Grenfell	17 %
Barclays Bank	17 %	National Westminster	17 %
Bremar Holdings Ltd.	18 %	Norwich General Trust	17 %
Brit. Bank of Mid. East	17 %	P. S. Refson & Co.	17 %
■ Brown Shipley	17 %	Rossminster	17 %
Canada Perm't Trust	18 %	Ryl. Bk. Canada (Ldn.)	17 %
Cayzer Ltd.	17 %	Schlesinger Limited	17 %
Cedar Holdings	17 %	E. S. Schwab	17 %
■ Charterhouse Japhet	17 %	Security Trust Co. Ltd.	18 %
Choulartons	17 %	Standard Chartered	17 %
C. E. Coates	17 %	Trade Dev. Bank	17 %
Consolidated Credits	17 %	Trustee Savings Bank	17 %
Co-operative Bank	*17 %	Twentieth Century Bk.	17 %
Corinthian Secs.	17 %	United Bank of Kuwait	17 %
The Cyprus Popular Bk.	17 %	Whiteaway Laidlaw	17½ %
Duncan Lawrie	17 %	Williams & Glyn's	17 %
Eagil Trust	17 %	Wintrust Secs Ltd.	17 %
E. T. Trust Limited	17 %	Yorkshire Bank	17 %
First Nat. Fin. Corp.	19½ %		
First Nat. Secs. Ltd.	19 %		
Robert Fraser	18 %		
■ Antony Gibbs	17 %		
Greyhound Guaranty	17 %		
Grindlays Bank	‡17 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 15%, 1-month deposits 15¼%.
† 7-day deposits on sums of £10,000 and under 15%, up to £25,000 15¼% and over £25,000 15½%.
‡ Call deposits over £1,000 15%.
§ Demand deposits 15%.

Public Works Loan Board rates

Effective from April 19

Up to 5	14⅞	14⅞	14⅞	15⅜	15⅜	15⅜
Over 5, up to 10	14⅞	14⅞	14⅞	15¼	15⅛	14⅞
Over 10, up to 15	14⅝	14⅝	14½	15	15⅜	14⅝
Over 15, up to 25	14½	14½	14½	14⅞	14⅞	14⅝
Over 25	14½	14½	14½	14⅞	14⅞	14⅞

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payment of interest only.

CORAL INDEX: Close 440-445 (unchanged)

LOCAL AUTHORITY BOND TABLE

Authority (*telephone number in parentheses*)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Knowsley (051 548 6555)	15⅞	½-year	1,000	1
Redbridge (01-478 3020)	14⅞	½-year	200	2-3
Redbridge (01-478 3020)	14½	½-year	200	5-6

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Lloyds Bk. (C.I.) U/T Mgrs.
P.O. Box 195, St. Helier, Jersey. 0534 27561
Lloyds Trust Int'l [illegible]
Lloyds Bank International, Geneva
P.O. Box 438, 1211 Geneve 11 (Switzerland)
M & G Group
Three Quays, Tower Hill EC3R 6BQ. 01-626 4588
Atlantic Exp. [illegible]; Australian Ex. [illegible]; Gold Ex. [illegible]; Island [illegible]; (Accum Units) [illegible]
Midland Bank Tst. Corp. (Jersey) Ltd.
28-34, Hill St., St. Helier, Jersey. 0534 36281
Samuel Montagu Ldn. Agents
114, Old Broad St., E.C.2. 01-588 6464
Murray, Johnstone (Inv. Adviser)
163, Hope St., Glasgow, C2. 041-221 5521
Nat. Westminster Jersey Fd. Mgrs. Ltd.
45 La Motte St., St. Helier, Jersey. 0534 36281
Negit S.A.
10a Boulevard Royal, Luxembourg
Negit Ltd.
Bank of Bermuda Bldgs., Hamilton, Brmda.
Pacific Basin Fund
10a Boulevard Royal, Luxembourg.
Phoenix International
PO Box 77, St. Peter Port, Guernsey.
Providence Capitol Life Ass. (C.I.)
Quest Fund Mngmnt. (Jersey) Ltd.
Richmond Life Ass. Ltd.
48, Athol Street, Douglas, I.O.M.
Rothschild Asset Management (C.I.)
P.O. Box 58, St. Julians Ct., Guernsey.
Rothschild Asset Mgt. (Bermuda)
Royal Trust (C.I.) Fd. Mgt. Ltd.
Save & Prosper International
Schlesinger International Mngt. Ltd.
41, La Motte St., St. Helier, Jersey.
Schroder Life Group
Enterprise House, Portsmouth.
J. Henry Schroder Wagg & Co. Ltd.
120, Cheapside, EC2.
Sentry Assurance International Ltd.
P.O. Box 1776, Hamilton 5, Bermuda.
Singer & Friedlander Ldn. Agents.
20, Cannon St., EC4.
Standard Chartered Intl. Bd. Fd.
37, rue Notre-Dame, Luxembourg.
Stronghold Management Limited
P.O. Box 315, St. Helier, Jersey.
Surinvest (Jersey) Ltd.
Surinvest Trust Managers Ltd.
TSB Unit Trust Managers (C.I.) Ltd.
Bagatelle Rd., St. Saviour, Jersey.
TSB Gilt Fund Managers (C.I.) Ltd.
Tokyo Pacific Holdings N.V.
Intimis Management Co. N.V., Curacao.
Tokyo Pacific Hldgs. (Seaboard) N.V.
Tyndall Group
P.O. Box 1256 Hamilton 5, Bermuda.
Unilife Assurance (Overseas) Ltd.
Union-Investment-Gesellschaft mbH
Postfach 16767, D 6000 Frankfurt 16.
Utd. Intnl. Mngmnt. (C.I.) Ltd.
14, Mulcaster Street, St. Helier, Jersey.
van Cutsem & Associates Ltd.
S. G. Warburg & Co. Ltd.
30, Gresham Street, EC2.
Warburg Invest. Mngt. Jrsy. Ltd.
World Wide Growth Management
10a, Boulevard Royal, Luxembourg.
Wren Commodity Trust
10, St. George's St., Douglas, IoM.

[illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

ManuLife Management Ltd.
St. George's Way, Stevenage. 0438 56101
Growth Units 66.9 70.4 +2.4 5.04

Mayflower Management Co. Ltd.
14-18, Gresham St., EC2V 7AU. 01-606 8099

Income Mar. 31	99.5	104.7xd	.....	9.74
General Mar. 31	66.3	69.8xd	.....	6.82
Intnl. Mar. 31	44.1	46.4	.....	4.03

Mercury Fund Managers Ltd.
30, Gresham St., EC2P 2EB. 01-600 4555

Mrc. Gen. April 16	52.5	55.8	.....	6.44
Acc. Uts. April 16	73.2	77.8	.....	6.44
Mer. Int. April 16	69.4	73.8	.....	4.69
Acc. Uts. April 16	78.0	83.0	.....	4.69
Merc. Ext. Mar. 27	64.0	66.7	.....	6.55
Accm. Units Mar. 27	82.3	85.7	.....	6.55

Midland Bank Group Unit Trust Managers Ltd.♥ (a)
Courtwood House, Silver Street, Head. Sheffield, S1 3RD. Tel: 0742 79842

Commodity & Gen.	86.9	95.0	+0.4	4.17
Do. Accum.	105.9	115.8	+0.5	4.17
Overseas Growth	33.3	36.0	+0.1	2.86
Do. Accum.	37.2	40.2	.....	2.86
Capital	27.5	29.7	+0.1	4.94
Do. Accum.	31.7	34.2	+0.4	4.94
Income	53.3	57.6	−0.1	7.57
Do. Accum.	67.5	72.9	−0.1	7.57
North American	33.2	35.9	−0.2	3.18
Do. Accum.	36.4	39.4	−0.2	3.18
High Yield	57.0	61.6xd	.....	9.98
Do. Accum.	68.7	74.0	.....	9.98
Equity Exempt*	109.6	115.6xd	.....	5.71
Do. Accum.*	114.9	121.2	.....	5.71
Japan & Pacific	34.5	37.3xd	+0.1	3.18
Do. Accum.	35.0	37.9	+0.2	1.05

*Prices at April 11. Next dealing April 18.

Minster Fund Managers Ltd.
Minster Hse., Arthur St., EC4R 9BH 01-623 1050
Minster April 14 36.9 38.9 ..... 7.52
Exempt Mar. 31 95.4 99.4 ..... 6.76

MLA Unit Trust Mngmnt. Ltd.
Old Queen Street, SW1A 9JG. 01-222 8177
MLA Units 58.0 60.9xd 4.76

Stewart Unit Tst. Managers Ltd.(a)
45, Charlotte Sq., Edinburgh. 031-226 3271
†Stewart American Fund

Standard Units	57.3	60.9	.....	1.90
Accum. Units	63.0	67.0	.....	1.90
Withdrawal Units	40.9	43.4	.....	—

*Stewart British Capital Fund

Standard	152.9	162.9	.....	7.03
Accum. Units	176.7	188.4	.....	7.03

Dealing †Tues. & Fri. *Wed.

Sun Alliance Fund Mngt. Ltd.
Sun Alliance Hse., Horsham. 0403 64141
Exp. Eq. April 9 £259.6 273.3 ..... 5.63
♥The Family Fd. 117.0 124.4 −0.1 4.96

Target Tst. Mngrs. Ltd.♥(a)(g)
31, Gresham St., E.C.2. Dealings: 0296 5941.
19, Athol Crescent, Edin. 3. 031-229 8621/2

Commodity	54.3	58.7	.....	2.21
Financial	76.0	82.5	.....	4.43
Gilt Accum.	124.5	131.0	.....	3.50
Investment Trust	33.5	34.2	+0.2	4.31
Special Situations	21.3	23.0	.....	5.09
American Eagle	26.8	29.0	−0.7	1.69
Pacific Income	22.8	24.6	+0.1	2.66
Pacific Accum.	26.0	28.1	+0.1	2.66
Income	24.8	26.8xd	.....	11.33
Extra Income	53.7	58.1	.....	11.87
Preference Share	11.4	12.6xd	.....	13.70
Equity	42.5	45.9	.....	6.92
Growth	33.1	35.8	+0.1	4.42
Professional Apr. 24	179.1	192.6xd	+1.3	5.61
Thistle	40.7	44.0	−0.1	12.08
Eqty. Ex. Inc. Apr. 16	233.2	250.7	.....	6.96
Equity Ex. Accum.	344.7	370.6	.....	6.96

Tower Unit Trust Mngt. Ltd.
39/45 Finsbury Square, EC2A 1PX 01-628 2294
Income & Growth 20.5 21.5xd 9.53
Special Situations 26.3 27.6 +0.1 3.39

Trades Union Unit Tst. Managers♥
100, Wood Street, E.C.2. 01-628 8011
TUUT April 1 51.2 54.5xd 6.36

Transatlantic and Gen. Secs.♥ (c)(y)
91-99, New London Rd., Chelmsford. 0245-51651

Barbican Apr. 17	78.8	84.0	.....	6.77
(Accum. Units)	129.7	138.2	.....	6.77
♦Barb. Expt. Mar. 26	63.0	64.5	.....	3.48
Buckhm. Apr. 17	81.1	86.2	.....	5.92
(Accum. Units)	106.5	113.1	.....	5.92

INSURANCE PROPERTY BONDS

OFFSHORE & OVERSEAS FUNDS

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

1Ja	1J	Agric. Mt. 5pc '59-89	60	3.12	8.53	12.77
30J	31D	Alcan 10½pc '89-94	78	19.11	13.81	14.60
1M	1S	Met. Wtr. 3pc 'B'	26½	1.2	11.47	13.47
30J	31D	U.S.M.C. 9pc 1982	93	5.11	10.07	—
30J	31D	Do. without Warrants	88½	5.11	10.60	17.10

LOANS—Continued

Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Jan.	July	ANZ $A1	212	14.1	Q22c	3.7	5.3	5.1
Feb.	Aug.	Alexanders D. £1	223	28.1	16.0	—	10.2	—
Feb.	Aug.	Algemene Fl.100	£65½	14.8	Q25%	ϕ	7.9	ϕ
Oct.	Apr.	Allen Harvey £1	340	10.3	21.5	—	9.0	—
Dec.	June	Allied Irish	112	5.11	hQ8.09	—	7.0	—
—		Ansbacher (H.) 5p	13¾	8.76	—	—	—	—
Dec.	June	Arbuthnot L. £1	228	19.11	†10.42	—	9.3	—
July	Jan	Bk. Ireland £1	330	19.11	Q25.0	—	7.3	—
Mar.	Sept.	Do. 10pc Conv.	£152	28.8	Q10%	—	f6.6	—

BANKS & HP—Continued

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

DRAPERY AND STORES

ELECTRICALS

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

FINANCIAL TIMES

PUBLISHED IN LONDON & FRANKFURT

Head Office: The Financial Times Limited, Bracken House, 10 Cannon Street, London EC4P 4BY
Telex: Editorial 8954871. Advertisements: 885033. Telegrams: Finantimo, London.
Telephone: 01-248 8000.

Frankfurt Office: The Financial Times (Europe) Ltd., Frankenallee 68-72, 6000 Frankfurt-am-Main 1.
Telex: Editorial 416052.Commercial 416193. Telephone: Editorial 7598 234. Commercial 7598 1

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INDUSTRIALS—Continued

INSURANCE—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Jan.	July	Heath (C.E.) 20p	212	10.12	†5.42	4.7	3.7	7.4
Oct.	Mar.	Hogg Robinson	110	30.7	†4.94	2.5	6.6	8.8
Oct.	Apr.	Howden (A.) 10p	101xd	14.4	7.0	1.7	9.9	7.9
—		Do Warrants	£44½	—	—	—	—	—
Dec.	June	Legal & General	165xd	14.4	7.6	—	6.6	—
Nov.	May	Lon. & Man. 5p	168	22.10	8.75	—	7.7	—
Oct.	Apr.	London United 20p	155	10.9	†5.31	4.2	4.9	6.9
Nov.	June	Minet Hldgs. 20p	99	22.10	4.47	ϕ	6.5	ϕ
Mar.	Aug.	Moran (Chris) 20p	27	10.12	4.0	1.3	21.2	5.1
Oct.	June	Pearl 5p	324xd	14.4	17.0	—	7.5	—
Dec.	June	Phoenix	224	5.11	13.3	—	8.8	—
Dec.	July	Provident	164	19.11	10.2	—	9.2	—
Nov.	May	Prudential	187xd	14.4	9.5	—	7.3	—
Nov.	May	Refuge 5p	154	24.3	10.6	—	9.8	—
Jan.	May	Royal	315	24.3	21.5	—	9.8	—
Feb.	Oct.	Sedgwick 10p	104	24.3	5.0	2.3	6.9	9.2
Sept.	Apr.	Stenhouse	76	10.3	4.52	2.3	8.5	6.8
Nov.	July	Stewart Wr. 20p	208	8.10	12.0	ϕ	8.6	ϕ
Jan.	July	Sun Alliance £1	576	19.11	28.0	—	7.1	—
June	Dec.	Sun Life 5p	159	19.11	H7.5	—	6.9	—
April		Taisho Mar. EDR	455	25.3	q010%	—	0.3	—
Nov.	May	Trade Indemnity	180xd	14.4	5.6	—	4.4	—
Ma.Ju.Se.De.		Travelers $2.50	£17¼	28.1	Q$2.48	—	6.5	—
Dec.	June	Willis Faber	240	8.10	11.0	ϕ	6.8	ϕ

LEISURE

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
May	Aug.	Anglia TV 'A'	67	10.3	3.57	3.0	7.6	6.0
Sept.	Feb.	Assoc. Leisure 5p	94	10.12	†4.25	2.6	6.5	7.8
Dec.	June	Barr & W.A.T. 'A'	120	22.10	†6.75	6.6	8.0	4.9
Jan.	July	Black Edgtn. 50p	48	19.11	5.0	ϕ	15.9	ϕ
Nov.	June	Boosey & Hawkes	86	5.11	5.67	ϕ	9.8	ϕ
Mar.	Nov.	Campari Int. 20p	53	10.3	†h3.65	3.5	9.8	3.2
Apr.	Nov.	Coral Leis. 10p	67	5.11	7.45	q2.2	16.9	3.7
Feb.	June	Fairline Boats 10p	84½	10.12	3.5	3.6	5.9	6.7
—		Glasgow Pavilion 10p	47	377	—	—	—	—
Jan.	June	Grampian 'A' 10p	29	30.12	†1.63	3.3	8.0	5.0
May	Oct.	HTV Non/Vtg.	94	10.12	10.0	1.5	15.8	6.2
June	Dec.	Hawley Leisure 5p	46½	28.8	0.8	ϕ	2.5	ϕ
May	Oct.	Horizon 5p	240	24.3	ϕ7.35	4.4	4.4	7.4
July	Dec.	N'w'rd Wy'd 20p	9	27.5	B0.34	—	0.4	—
Dec.	Apr.	LWT "A"	108xd	14.4	9.89	2.1	13.1	5.1
June	Jan.	Magnt. Ag. M. 10p	132	28.12	8.4	2.9	9.1	5.3
Apr.	Dec.	Medminster 10p	30	5.11	†2.25	1.9	11.1	6.6
—		††Nationwide 5p	7½	—	ϕ0.37	0.1	7.0	—
Jan.	Sept.	Norton & Wrt. 10p	78	28.12	†d2.98	4.2	5.5	6.3
—		††Pan Atlas 20p	19	—	—	—	—	—
Jan.	June	Photax (Lon.)	56	22.10	3.5	ϕ	9.3	ϕ
Oct	April	Pleasurama 5p	137	25.2	4.83	ϕ	5.0	ϕ
Jan	July	Rediff. TV Pref. £1	57½	10.12	5.95	24.2	14.8	—
Apr.	Nov.	Saga Hols. 20p	182xd	14.4	†d7.5	2.8	5.9	8.8
May	Dec.	Samuelson 20p	135	10.3	d8.77	2.4	9.3	6.3
Dec	May	Scott. TV 'A' 10p	78	22.10	4.9	ϕ	9.4	ϕ

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Australian

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—		Acmex 50c	23	—	—	—	—
—		ACM 20c	13	—	—	—	—
—		Bond Corp.	75	—	Q3.75	2.2	2.6
Nov.	Apr.	Bougainville 1 Kina	105xr	12.9	hQ5.4c	ϕ	14.1
—		BH South 50c	200	974	ϕ—	—	—
—		Canada Northwest	14½	—	—	—	—
—		Carr Boyd 20c	23	—	—	—	—
—		Central Pacific	£20	—	—	—	—

Tins

Copper

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
January	Messina R0.50	194	28.12	Q10c	ϕ	3.0

Miscellaneous

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—		Anglo-Dominion	142	—	—	—	—
—		Barymin	67	—	—	—	—
—		Burma Mines 17½p	14xd	14.4	0.62	ϕ	6.4
Aug.	Feb.	Cons. Murch. 10c	370	28.12	MQ100c	1.8	15.5
—		Northgate C$1	360	977	—	—	—
Jan.	July	R.T.Z.	367	5.11	15.0	q3.3	6.0
—		Robert Mines	27	—	—	—	—
—		Sabina Inds. C$1	32	—	—	—	—
—		Tara Exptn. $1	485	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ♣ Regional price.
- ‖ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	27	-1	**IRISH**		
Bertam	18	......	Conv. 9% '80/82	£86	......
Bdg'wtr. Est. 50p	370	......	Nat. 9¾% 84/89	£71½	+¼
Clover Croft	60	......	Fin. 13% 97/02	£79⅛	+¼
Craig & Rose £1	£10½	......	Alliance Gas	58	......
Fife Forge	37	......	Arnott	360	......
Finlay Pkg. 5p	20	......	Carroll (P.J.)	52	......
Graig Ship. £1	£11¼	......	Clondalkin	103	-3
Higsons Brew	75	......	Concrete Prods.	77½	......
Holt (Jos) 25p	259	......	Heiton (Hldgs.)	33	......
I.O.M. Stm. £1	172	......	Ins. Corp.	250	......
Pearce (C. H.)	385	......	Irish Ropes	60	......
Peel Mills	39	......	Jacob	35	-1
Sheff. Refrshmt.	99	......	T.M.G.	137	-3
Sindall (Wm.)	155	......	Unidare	102	-1

OPTIONS

3-month Call Rates

Industrials		I.C.I.	32	Utd. Drapery	9
A. Brew	8	"Imps"	7	Vickers	14
BOC Intl.	6	I.C.L.	45	Woolworths	6½
B.S.R.	5	Inveresk	5		
Babcock	12	Ladbroke	15	**Property**	
Barclays Bank	30	Legal & Gen.	14	Brit. Land	7
Beecham	13	Lex Service	18	Cap. Counties	9
Blue Circle	25	Lloyds Bank	24	Land Secs.	25
Boots	17	"Lots"	3½	MEPC	17
Bowaters	16	London Brick	6	Peachey	13
B.A.T.	25	Lucas Inds.	28	Samuel Props.	12
Brown (J.)	7	"Mams"	14	Town & City	2
Burton 'A'	22	Mrks. & Spncr	9		
Cadburys	5½	Midland Bank	30	**Oils**	
Courtaulds	8	N.E.I.	5	Brit. Petroleum	38
Debenhams	8	Nat. West. Bank	32	Burmah Oil	20
Distillers	23	P & O Dfd.	9	Charterhall	12
Dunlop	5½	Plessey	16	KCA	11
Eagle Star	16	Racal Elect.	20	Premier	12
F.N.F.C.	2½	R.H.M.	4½	Shell	35
Gen. Accident	21	Rank Org.	18	Tricentrol	35
Gen. Electric	30	Reed Intnl.	17	Ultramar	50
Glaxo	48	Sears	5½		
Grand Met.	12	Tesco	7	**Mines**	
G.U.S. 'A'	30	Thorn	25	Charter Cons.	18
Guardian	23	Trust Houses	14	Cons. Gold	52
G.K.N.	22	Tube Invest.	27	Lonrho	12
Hawker Sidd	16	Unilever	40	Rio T. Zinc	35
House of Fraser	12	U.D.T.	6		

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FINANCIAL TIMES

Monday April 21 1980

Governor of Bank faces MPs

By Peter Riddell, Economics Correspondent

MR. GORDON RICHARDSON, Bank of England Governor, is to be questioned publicly about economic policy for the first time.

He appears before the Commons' Treasury and Civil Service Committee today, as part of its inquiry into the Budget and the Government's medium-term financial strategy.

This is a major development both in the economic policy debate and in the Bank's growing public accountability for its policies and views.

Questioning of the Governor by MPs has been restricted so far to matters arising from the Bank's report and accounts, such as staff pay and fringe benefits. If specifically excluded policy issues. The Bank's comments on the economy were made public previously through its quarterly bulletin and in occasional speeches by the Governor.

The scope of today's session is not yet clear. Judging by previous public hearings, the committee may want to question the Governor about the impact of monetary policies on industry's financial position. This is a subject discussed in depth in recent Bank bulletins.

The hearing will be the forerunner of other Bank appearances during the lengthy monetary policy inquiry which the committee is due to start next month.

The committee, chaired by Mr. Edward du Cann, decided to see the Governor after two sessions with senior Treasury officials and one with Sir Geoffrey Howe, the Chancellor. Then considerable scepticism was expressed about some major features of Government strategy. The committee is due to see Sir Geoffrey again in a week.

More regular contact with Commons' committees is only one aspect of the Bank's more independent role favoured by the Chancellor. For example, Mr. Richardson recently became a member of the National Economic Development Council.

Phone bills to increase

By John Lloyd

TELEPHONE CHARGES are likely to go up again early next year as a direct result of the Government's refusal to extend cash limits for the telecommunications business.

It had sought to borrow £150m more than its £1.5bn cash limit, to cover the mounting cost of its expansion programme.

The issue is one of a number which convinced Sir William Barlow, the Post Office chairman, that he should resign his post later this year. However, Sir William is thought to have been dismayed by the range of Government interference in the corporation, and to have increasingly felt the attractions of the private sector.

Tariffs last went up in January, with call charges rising from 3p to 3.5p a unit. The previous rise in tariffs had been in 1975.

The corporation has been anxious to avoid further increases, but believes it will be left with little choice.

Major programmes which require finance include the progressive addition of System X exchanges to the network, the improvement of transmission lines and the extension of the Prestel viewdata network.

The Post Office's request for extra cash is part of a long-standing desire to move away from complete reliance on internally generated funds for its investment programme, towards a borrowing level of about 20 per cent a year.

Senior management concedes it has lost the fight for this principle with Government for the present financial year, but is hopeful that it may get up to 10 per cent of its investment through borrowing next year.

News Analysis, Page 7

Auditing standards programme launched

BY MICHAEL LAFFERTY

A NEW programme of auditing standards is launched today by the UK accountancy bodies.

The standards—backed by detailed guidelines—set benchmarks against which the work of auditors can be measured.

Efforts to develop the audit standards have been going on since 1975, partly inspired by a series of scandals and collapses in which leading audit firms came under criticism. The standards could make it easier for legal action to be taken against auditors by shareholders, investors and creditors.

The programme, which becomes effective for all audits undertaken from now on, includes three standards:

● The auditor's operational standard, which deals with audit planning and control;

● the audit report, which sets out the content of audit opinions; and

● qualifications in audit reports, which sets out the nature and form of audit qualifications.

Detailed audit guidelines also cover matters such as audit planning and control, accounting systems, audit evidence, internal controls, and review of financial statements.

The standards carry the authority of the accountancy bodies, principally the Institute of Chartered Accountants and the Association of Certified Accountants. They bring the UK profession into line with its counterparts in the U.S., Canada, Germany, Australia, Japan and other countries.

The launch of the standards programme is carefully timed ahead of the English Institute of Chartered Accountants' centenary celebrations, which take place next month. Other recent initiatives have included the initiation of a new disciplinary scheme for the profession and the launch of the country's first inflation accounting standard.

Once the new standards become effective it is likely that large numbers of small companies will get qualified audit reports, on the grounds that they do not have adequate systems of internal control.

The profession's Auditing Practices Committee has decided against a requirement that audit reports should automatically draw attention to all changes in accounting policies, as is the case in the United States and Canada.

Copies of the Auditing Standards and Guidelines from the Publications Department, PO Box 433, Chartered Accountants' Hall, Moorgate Place, London EC2P 2BJ. Price £3.00.

Ministers meet to decide EEC response to Carter

BY JOHN WYLES IN BRUSSELS

THE U.S should know tomorrow evening whether its European allies are ready to take parallel moves to free the Tehran hostages, despite grave misgivings about President Carter's sanctions policy.

EEC Foreign Ministers gathering in Luxembourg today are under no illusion of the threat to the Western alliance, if they fail to respond credibly to Mr. Carter's demand for political and commercial sanctions against Iran to support U.S. efforts.

The presence of a Japanese Government observer will also remind Ministers of the wider importance of any decisions they take. Japan, which has important trading links with Iran, and other countries, including Spain, are expected to base their response to U.S. demands on the action finally adopted by the Community.

National interests and varying degree sof political scepticism continue to pose sharp obstacles to EEC efforts for a response which would satisfy the U.S. Extensive consultations last week gave the nine Governments a good understanding of each other's position.

But there is no widespread confidence that divisions can be effectively narrowed to allow a common sanctions policy.

At one extreme, West Germany wants the EEC to adopt at Community level virtually all Carter measures to demonstrate alliance solidarity and forestall possible U.S. moves towards military action against Iran.

At the other are France and Denmark, which oppose Community-wide obligations and believe threats rather than immediate trade sanctions may prove as useful, if they are coupled wit hsymbolic measures such as reducing diplomatic representation.

Italy's view is close to this, not least because of fears for its 1,600 nationals working on an estimated $3bn construction contracts.

The UK is somewhere between, suggesting that London's plan for a two-stage approach may be the one on which Foreign Ministers will start to build.

This could mean the Community would begin putting pressure on Iran by reducing the size of its embassies and of Iranian embassies in EEC capitals. Visa controls may be introduced and export credits curbed.

Individual countries may also take action, such as, in the UK's case, holding up delivery of a new vessel for the Iranian navy.

Philip Rawstorne writes: British businessmen will not be compensated for any losses if the Government imposes economic sanctions on Iran, Mr. Douglas Hurd, Minister of State at the Foreign Office, said yesterday. "I do not think we should be able to bail them out."

New Swiss investment service

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

BANK JULIUS BAER, one of Switzerland's largest private banks, today launches a new investment service in the UK.

It will be the first foreign-owned bank to offer international portfolio management service on such a scale to British investors since the abolition of UK exchange controls in October last year.

The new service is being launched through Bank Julius Baer International, a London-based subsidiary which until now has confined itself to commercial credit business. It was recently given the top status of a "recognised bank" by the Bank of England.

Bank Julius Baer is seeking investors with at least £100,000 to invest. It plans to attract business through a £50,000 advertising campaign in the financial and professional Press.

This will be followed up by a series of seminars in a number of provincial cities, including Birmingham, Leeds, Manchester, Edinburgh, Norwich and Bournemouth.

The seminars are designed to attract professional advisors, such as accountants and solicitors, as well as any other interested parties.

Customers will be able to deal with the bank either through London or Zurich, and will also have access to all the normal services provided by a Swiss bank.

The bank says its investment policy is based "on the principle that it is more important to protect capital than to jeopardise it in the pursuit of unrealistic short-term gains." It already has more than £1bn under management.

Bank Julius Baer will be competing in the UK market with the London merchant banks.

Continued from Page 1

UK offshore exploration area

In the past there has been some concern that big exploration rounds could result in a bunching of oil-production projects.

Latest projections within the State-owned British National Oil Corporation show that production from proven oilfields should be sufficient to maintain net self-sufficiency from later this year to the late 1980s.

After that, the UK will have to rely on output from newly-discovered fields, including those lying in seventh-round blocks.

While the industry appears to have won its battle for more exploration acreage it seems it has lost its argument against the principle of State participation in oil production.

Big companies, with their own oil refineries, have objected to the policy, which stipulates they must offer 51 per cent of their oil output to BNOC. They wanted this policy relaxed in the seventh round, having pointed out that they were finding it more difficult to lift oil from their traditional suppliers within the Organisation of Petroleum Exporting Countries.

While State participation is being retained, for national security of oil supplies, the Government is expected to give assurances about BNOC's involvement in licences. The Government is dropping the idea of BNOC automatically sitting on the committees of offshore consortia.

In future, participation oil will be sold on an arm's-length basis to BNOC's oil-trading division. The corporation's exploration and production wing will be treated as any other oil corporation under the seventh round.

These arrangements are likely to be formalised under the proposed reorganisation of BNOC, being considered within the Energy Department. It is thought that Mr. Howell favours a complete split in the corporation's activities.

If this course is taken—and legislation has been delayed to the next parliamentary session because of the complexity of the trading arrangements—the trading arm will be established as a State-owned corporation, completely separate from BNOC's other exploration and production activities.

Private capital will be invited into the newly created offshore company.

However, the scheme has been resisted within the corporation, some of whose executives feel that the undertaking should be left intact, with private capital pumped into the offshore wing. Alternative cash-raising proposals have been put up by BNOC officials, it is understood.

Methven demands action on rates burden

BY ROBIN PAULEY

THE GOVERNMENT must act immediately to save trade and industry from serious damage caused by the increasing burden of rates, according to Sir John Methven, director general of the Confederation of British Industry.

He has told Mr. Michael Heseltine, Environment Secretary, that if a ceiling is not imposed on business rates, expected to exceed £4bn in 1980-81, jobs and investment will suffer.

In his letter to Mr. Heseltine, Sir John says company profitability is already depressed. In 1979 the real rate of return on capital of industrial and commercial companies (before interest and tax and excluding North Sea oil activities) was only 4 per cent. It was likely to drop to 2 or 3 per cent this year, compared with an average of more than 10 per cent in the 1960s.

The £4bn industrial and commercial rates bill in 1980 is the equivalent of the total yield of petroleum revenue tax, capital gains tax, development land tax, capital transfer tax, estate duty and stamp duty, Sir John says.

The proposed changes in the system of rate support grant contained in the Local Government Planning and Land Bill were supported in principle by the CBI.

"Some authorities will react to the change, however, by raising rates above the level they would have been under the old rate support grant system. It is essential that in such cases a limit be imposed on the burden of business rates, or else such authorities will succeed only in damaging trade and industry, and risk driving business away."

"We believe the Government should act now, and not wait until a decision has been made about the long-term future of the rating system," Sir John says.

Nearly 60 per cent of the income which local authorities obtain through rates comes from the non-domestic sector which accounts for just over half of total rateable value.

Grade plans Jetsave majority purchase

BY REG VAUGHAN

LORD GRADE'S Associated Communications Corporation, which owns ATV, Pye Records and Classic Cinemas, is planning a major move into the holiday travel business.

ACC is negotiating to purchase a majority interest in eJtsave, the second largest privately run UK charter operation, from Mr. Reg Pycroft, who started the business eight years ago. The company, in which Arab interests are understood to have a 14 per cent stake, specialises in North Atlantic Advanced Booking Chartering.

Mr. Jack Gill, deputy chief executive of ACC, said yesterday that with the growth in tourism to America ACC felt that Jetsave was "just the right operation to get into, and this was the right moment to do it." With ACC's financial backing it was planned to expand Jetsave's existing business, he said.

Staying on

He was not prepared to disclose what ACC's interest in Jetsave would be, or what it was planning to pay for it. Under the deal, which is expected to be completed in about three weeks, Mr. Pycroft will stay on at Jetsave, and will retain an equity interest in the company.

Jetsave, which has Sir Freddie Laker's Skytrain as its main rival, has grown substantially since its inception in 1973—a year in which it carried 38,000 passengers and showed a profit of £129,000. The company's 1980 summer programme envisages 260,000 aircraft seats either for package deals or for flights alone. Last year, 10 per cent of the company's business was represented by package tourism.

Grounding

In the year 1977/78, turnover grew from £10m to £18m with profits advancing from £821,000 to £1.7m. But in 1979 Jetsave was hit hard by the grounding of all DC-10s flying to the U.S. after the Chicago air disaster in June.

This setback is understood to have cost the company about £250,000, and, together with fierce competition, particularly on the North Atlantic routes, and mounting fuel costs, left 1978/79 profits down £590,000 on a turnover of £30m.

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Weather

UK TODAY

SUNNY intervals. Rain in places.

London, S. Midland and N.W. England, Channel Is., I. of Man

Dry. Sunny spells. Max. 12C (54F).

Rest of England

Showers near coasts. Sunny intervals. Max. 9C (48F).

Scotland, N. Ireland

Sunny spells. Some rain except in N.. Max. 11C (52F).

Outlook: Cloudy. Some rain.

WORLDWIDE

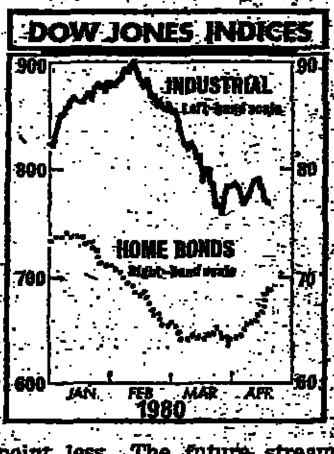
		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	17	63	Lisbon	S	21	70
Algiers	S	22	72	Locarno	S	16	61
Amsdm.	F	8	46	London	C	7	45
Athens	F	16	61	Luxmbg.	C	3	37
Bahrain	S	26	79	Luxor	S	43	109
Barclna.	S	17	63	Madrid	S	19	66
Beirut	C	29	84	Majorca	S	21	70
Belfast	F	9	48	Malaga	S	24	75
Belgrd.	C	5	41	Malta	F	16	61
Berlin	F	7	45	M'chstr	C	7	45
Biarritz	C	13	55	Melbne.	R	22	72
Bmghm.	C	7	45	Milan	S	18	64
Bordx.	F	12	54	Mntreal	C	16	61
Boulgn.	C	7	45	Moscow	C	12	54
Bristol	F	8	46	Munich	F	5	41
Brussels	F	7	45	Nairobi	S	24	75
Budpst.	F	8	46	Naples	C	14	57
B. Aires	C	18	64	Nwcstl.	C	7	45
Cairo	S	39	102	N. York	S	19	66
Cardiff	F	10	50	Nice	F	15	59
Cas'b'ca	C	19	66	Oporto	S	19	66
Cape T.	S	25	77	Oslo	F	10	50
Chicago	S	22	72	Paris	C	7	45
Cologne	F	6	43	Perth	R	16	61
Cpnhgn.	F	6	43	Prague	Sn	2	36
Corfu	C	16	61	Rykjvk.	R	8	46
Dublin	C	8	46	Rhodes	C	20	68
Dbrvnk.	S	17	63	Rio J'o	S	27	81
Ednbgh.	S	11	52	Rome	C	16	61
Faro	S	23	73	Salzbrg.	Sn	1	34
Florence	C	14	57	Singapr.	C	29	84
Frankft.	C	6	43	Stckhm.	Sn	1	34
Funchal	S	18	64	Strasbg.	C	7	45
Geneva	Sl	2	36	Sydney	R	23	73
Gibrltr.	S	23	73	Tangier	S	19	66
Glasgow	S	10	50	Tel Aviv	S	37	99
G'msey	F	8	46	Tenerife	F	15	59
Helsinki	Sn	0	32	Tokyo	C	8	46
H. Kong	S	28	82	Toronto	S	15	59
Innsbrk.	F	9	48	Tunis	F	20	68
I.o.Man	S	8	46	Valencia	S	23	73
Istanbul	C	23	73	Venice	C	8	46
Jersey	F	8	46	Vienna	C	5	41
Jo'burg	S	19	66	Warsaw	S	6	43
L. Plms.	F	20	68	Zurich	F	6	43

C—Cloudy. F—Fair. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

THE LEX COLUMN

Why old lags may be unreliable

The evidence of the last couple of weeks suggests that world bond markets have turned in earnest. Equities, though, have yet to show convincing strength—in London, there has been only a modest rally and, indeed, a slight fall in the past week, while in New York the firmness of the bond market has not prevented a continuing decline.



The classic lag of a few months between the low point of the bond market and the turning point in equities, once a familiar feature of the business cycle, can no longer be relied on. At the bottom of the major 1974-75 bear market equities turned a mere three weeks after gilts and in 1976, when the stock market was dominated by the fortunes of sterling, the two sectors bottomed on the same day.

At the moment fundamental reasons for a decisive turn in equities are in short supply. Corporate profits and liquidity are both deteriorating, although it is true that a few months' successful destocking could reduce the company sector's deficit significantly.

The argument for equities to turn along with gilt-edged, then, essentially hinges on relative yields. Equity yields are already high as a proportion of the return available on bonds and the absolute yield gap between the two markets is around the middle of the range—roughly 6 to 8 points between long gilts and the dividend yield on the All-Share—in which it has stayed for nearly six years.

On this basis, if would be unnatural for equities not to benefit from a fall in interest rates and gilt-edged yields. An increase in demand for equities at the margin, if their yields come to be seen to be attractive, can have a disproportionate effect on prices. And then highly-geared companies and sectors such as property benefit directly from lower interest rates.

The conventional yield relationships, however, proceed from the assumption that companies will be able to increase their dividends steadily over time. The present outlook for profits suggests that this assumption, for many sectors of the market, is no longer valid, and the reverse yield gap should narrow accordingly. Three constituents of the FT 30-Share Index—Courtaulds, Tube Investments, and Turner and Newall—are already yielding more than long-dated gilts, and Dunlop and the Imperial Group offer only a point less. The future stream of income from these companies—not necessarily this year's dividend, or next year's — is clearly felt to be unreliable.

If we are in for a long and severe deflation, rather than a mild recession brought about by corporate destocking in the face of high interest rates, then it would be perfectly sensible for equities to go on falling even with a strong gilt-edged market. The London equity market is not so gloomy as to be expecting this at present; nor, probably, is New York, but it does seem to be saying that there are some corporate shocks round the corner in America which investors have still to absorb. And after the abolition of UK exchange controls, it is unlikely that UK equities could move up very far in the absence of a parallel rally in New York.

Floating spreads

After floating rates, the syndicated credit market is now faced with a new manifestation of instability with the introduction of the floating spread. A eight-year loan is being launched in which the spread—in this case an initial margin of ⅞ per cent over London inter-bank offered rate—is variable each year. The loan epitomises the increasing uncertainty of international banking business. Looked at from one angle it means that the banks are only able to set terms for the borrower for one year ahead.

But the mechanism whereby the spread is adjusted each year on the basis of the lenders' assessment of current market conditions does have some useful applications in a market where margins are beginning to rise in selected cases. It means that a deal which might have have been postponed because of disagreement over appropriate conditions can actually get done.

In this situation, however, it is the borrower who stands to pay the price. The formula devised by European Banking Company does allow the borrower, the Spanish coal mining concern Elmelsa, to cancel the credit without penalty. But this is obviously a last resort. Meanwhile Lieisa runs the risk of being caught up in a situation where the lenders are making a concerted effort to obtain higher terms. Moreover, the borrower's costs are even more unpredictable than a normal floating rate credit.

Such a deal is therefore unlikely to appeal to well-established borrowers who can still command low spreads over several years ahead. The concept is hardly likely to become widely accepted for the moment. But for borrowers who are stretched—and this might well include big ones such as Brazil and Poland before the year is out—the floating spread could prove to be a timely invention indeed.

Audit reports

It appears from the rules laid down in the UK's first ever auditing standards, published today, that qualifications to audit reports will become rarer. The Auditing Practices Committee has decided that reports should become simpler, and should not, for example, comment on the non-observance of accounting standards in circumstances in which the auditors concur. Instead, qualifications should be made only when there is uncertainty over facts, or a disagreement over disclosure or policies.

There is a lot to be said, of course, for simplicity, and for the clarification of audit reports which have come under fire on occasion in Department of Trade inspectors' reports, one of which described them as being written in "hieratic" language. At the same time it will be a pity if users of accounts do not have their attention drawn—as happens in the U.S., for example—to inconsistency of accounting principles from one year to another, or to acceptable breaches of standard accounting practices. It may be, however, that this can still be done in some prominent way outside the audit report.

Meantime, it looks as though hieratic aspects of language will still have a part to play. Users will need to be aware that a "subject to" qualification relates to uncertainty and an "except" opinion reflects outright disagreement.